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JPRS-CAR-89-082

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4 AUGUST 1989

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## GENERAL

### Prospects for Economic Cooperation in Pacific Region

40050461 Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese  
No 15, 10 Apr 89 pp 28-29

[Article by Liu Jiangrong 0491 3068 3057: "Common Market Unlikely Scenario in the Pacific"]

[Text] Every nation in the Pacific is today pursuing new development opportunities through economic cooperation and adjustment. In the next 10 years, these nations may be joined in a network of loose cooperation and organic integration. But cooperation will coexist with all kinds of conflicts as every nation competes for economic interests and leadership.

### The United States: Building a Network of Bilateral Free Trade Agreements; Maintaining Leadership in Pacific Economic Cooperation

Since the mid-1980's, the United States has been paying more attention to Asia, emphasizing that it is a Pacific power. Immediately after George Bush was elected President last year, the Heritage Foundation had this advice for him: "Strategically and economically, Asia is increasingly important to the United States." In 1987, U.S.-Asian trade amounted to \$241 billion, compared to \$170 billion in U.S.-European trade. Within a decade, U.S.-Asian trade will be double the value of U.S.-European trade. Bush should "recognize Asia's overwhelming economic and strategic significance and shift American focus from the Atlantic to the Pacific to open up a Pacific century."

To improve its trade position, the United States has been adjusting the exchange rate between the dollar and the yen since 1985. Last year it passed an omnibus trade bill abolishing from this year onward the generalized system of preferences for Asia's "four little dragons." As a long-term plan, the U.S. proposes to create a network of bilateral free trade agreements in the Pacific area modeled on the free trade accord it signed with Canada. When Prime Minister Takeshita of Japan visited the United States in early 1988, Senator Robert Byrd, then Senate majority leader, proposed that the United States and Japan conclude a bilateral free trade agreement. Similar proposals have been made by Mike Mansfield, former U.S. ambassador to Japan, and Secretary of State James Baker III. The United States has also been sounding out ASEAN and Australia on similar ideas. Meanwhile, the U.S. International Trade Commission has been studying the feasibility of signing free trade agreements with Japan, South Korea, and Taiwan. In September 1988, Senator Byrd wrote to Takeshita suggesting that their two countries sign a general agreement covering trade, finance, and banking. Later, Senator Bill Bradley put forward a plan for a "Pacific union" embracing the United States, Japan, Canada, Australia, New

Zealand, Indonesia, and South Korea. Last July Secretary of State George Shultz approached the Asian and Pacific countries concerned with the idea of setting up a "Pacific basin forum." The Bush administration and the U.S. Congress are expected to put forward new proposals for U.S.-centered economic cooperation organizations in the Asian Pacific region in order to play a leading role in regional economic cooperation.

### The Soviet Union: Fighting Its Way Into the Economic Cooperation System in the Pacific Through Development of Economic and Trade Relations

Long committed to the establishment of an "Asian security system" and a policy that relies on military force to achieve political purposes, the Soviet Union has had limited economic ties to the Asian Pacific region, its trade with the region in 1984 amounting to less than 5 percent of its total foreign trade. After Gorbachev came to power, he has stressed time and again that the Soviet Union is an "Asian and Pacific power" and has given renewed attention to effecting changes through political dialogue and economic cooperation. His speech in Krasnoyarsk on 16 September last year summed up the Soviet strategic idea of linking the development of the Soviet Far East to international specialization in the Asian Pacific area and integrating regional security with regional economic cooperation. At present the Soviet Union is trying to gradually remove barriers to the development of bilateral relations with Asian and Pacific countries through furthering economic and trade relations so as to join the economic cooperation system in the region. It has established a trade and economic cooperation commission with Indonesia and a government-to-government trade commission with Thailand. It has signed an agreement with the Chamber of Commerce and Industry of Malaysia as well as an economic and trade cooperation and development plan for the period 1988-95 with Australia. It has set up diplomatic relations and signed fishing accords with countries in the South Pacific. It has also decided to set up a trade representative office in South Korea, and vice versa. In 1987 it concluded 41 economic agreements with Asian countries.

The Soviet Union intends to open up the Soviet Far East to an infusion of human and financial resources and technology from Asia. Reportedly, 15 areas in the Soviet Far East have been selected as candidates for designation as special economic zones. Consideration is also being given to easing restrictions on joint ventures, for instance, by permitting foreign ownership to reach 80 percent. In March 1988, the Soviet Union set up a national commission on economic cooperation in the Pacific as a "window" to participation in economic cooperation in the Pacific region and a "think tank." In May 1988 the Soviet Union formally requested, unsuccessfully, permission to join the sixth Pacific Economic Cooperation Conference to be held in Osaka. In his speech on 16 September, Gorbachev reiterated Soviet desire to join the organization.

### Japan: Pushing for a Pacific Multilateral Cooperation System

The establishment of a Pacific economic sphere has been Japan's long-term strategic goal, recently given more urgency by the conclusion of the free trade agreement between the United States and Canada and the creation of an integrated market by the European Community in 1992. Since last year, Japanese leaders have unveiled a flurry of new ideas:

1. "Asian and Pacific free trade area," a brainchild of the Ministry of International Trade and Industry. Essentially, it calls for Japan, the United States, Canada, Australia, New Zealand, and the "four little dragons" to gradually lower trade barriers, such as tariffs against one another, in order to spur trade, investment, and production. In the beginning, a \$2 billion ASEAN-Japan Development Fund would be set up to expedite industrialization and international specialization and to mediate disputes relating to intellectual property rights. Japan will expand the scope of tariff preferences to various Asian countries. It will also further cooperation in coal exploitation in the Pacific area.
2. "East Asia economic sphere," put forward by the Economic Deliberation Council, which advises the prime minister. A so-called open economic sphere would be set up linking Japan, the "four little dragons," and ASEAN. As a first step, Japan will seek to improve relations with the "four little dragons," increase investment in intermediate industries, import significantly more products from the "four little dragons," and expand the share of trade denominated in yen. Second, Japan is to intensify economic cooperation with ASEAN, emphasizing government development aid and large-scale technology transfer. It will also adopt a more flexible attitude toward China.

3. The Ministry of Foreign Affairs' "prospects for cooperation and comprehensive strategy in the Asian Pacific area." Referring to the trend toward formation of regional economic blocs in Europe and America, Foreign Minister Uno said last May [1988], "We should reverse the trend toward creating exclusive regional economic blocs and let the fresh air of freedom and openness blow in Asia and the Pacific." He put forward structural adjustment, free trade, and dialogue as the "three economic principles in Asia and the Pacific" to promote understanding of a new round of multilateral trade negotiations. He also called for stepping up the dialogue among nations in the region and between those nations and member states of OECD.

The present economic situation in the Pacific is more favorable to Japan's push for economic cooperation. Because of economic and historical differences and political factors, however, countries in the Pacific, including the United States, will not find Japan's initiatives completely acceptable.

### ASEAN: Taking a More Positive Attitude Toward Regional Economic Cooperation

In 1984, an enlarged meeting of the foreign ministers of ASEAN nations became the first to admit the participation of their counterparts from Japan, the United States, Australia, New Zealand, and Canada, thus opening a new channel of dialogue between ASEAN and developed nations in the Pacific region to explore issues of economic cooperation. Another enlarged meeting in 1985 gave the green light to 32 "qualified personnel development" projects involving collaboration between ASEAN and the five other nations. In December 1987, ASEAN invited Prime Minister Takeshita to attend the third ASEAN summit in Manila where Takeshita announced establishment of a \$2 billion ASEAN-Japan Development Fund. In 1987, Japan doubled its investment in ASEAN and increased its imports from the group by 48 percent.

At present ASEAN is focusing on resolving some of the more practical issues in bilateral relationships and has not yet put forward any grand overall plan. It has responded coolly to America's suggestion of a "mutually beneficial" bilateral free trade accord. Although it is slightly more receptive to Japan's proposals, it remains quite wary. ASEAN will keep its independent position in economic cooperation in the region.

### Asia's "Four Little Dragons": Pursuing Different Policies

South Korea believes there is a need for a coordinating mechanism in the Pacific region in the future and is studying the motives behind the proposals of Japan and other nations and the advantages and disadvantages they offer. First and foremost, South Korea would like to raise its status in the Pacific Economic Cooperation Conference and Pacific Cooperation Commission. Next, it plans to develop closer ties to ASEAN and join the enlarged meeting of ASEAN foreign ministers. Third, it intends to assert itself as one of the founding members of any cooperative organization in the Pacific. While it depends on both the United States and Japan, South Korea is not reconciled to such dependency. Its conflicts with the Japanese are especially deep-seated. Yan Fengcheng [0917 1496 2052], a member of the Korean Development Institute, said, "The situation in the Pacific area is very complex. It would be difficult to establish here a common market similar to the European community. Countries that were subject to colonial rule in the past worry that a common market will bring back colonial rule." Concerning economic cooperation in the region, he believed that the "only limits were those set by the two leading nations of Japan and the United States." "Korea can play a part between the Untied States and Japan, on the one hand, and ASEAN, on the other."

As for Taiwan, participation in economic cooperation in the Pacific region offers an important way to raise its international stature, expand political influence, and

develop its foreign economic relations. While there are some people in Taiwan who favor concluding a free trade agreement with the United States or forming a "Greater China economic sphere" with the mainland and Hong Kong, they are not in the mainstream. Essentially Taiwan is trying to attract Japanese technology, occupy Japan's market, mollify trade conflicts, maintain U.S.-Taiwan ties, penetrate ASEAN in a major way, and promote "substantive diplomacy."

#### Australia and New Zealand: Active Players in Regional Economic Cooperation

Back in the late 1970's, Prime Minister Fraser of Australia already raised the subject of cooperation in the Pacific with Prime Minister Ohira of Japan. In 1980, the first Pacific Economic Cooperation Conference was held in Canberra. Throughout the 1980's, Australia has been conducting more trade with East Asia than with Europe and North America. Currently, Australia's trade with the Asian and Pacific area accounts for over 60 percent of its total foreign trade. As far as economic cooperation in Asia is concerned, the Australian Government is inclined toward multilateral trade negotiations and coordination and takes a guarded attitude toward the American suggestion of concluding bilateral free trade agreements. During Prime Minister Takeshita's visit to Australia in July 1988, the two heads of government expressed their concern about the impact of creation of an integrated market in Europe and the conclusion of the U.S.-Canada free trade agreement and agreed to hold "high-level consultations" when necessary. Australia has signaled its approval of a "Pacific cooperative parliamentary alliance." During his visit to South Korea and Thailand last February, Prime Minister Bob Hawke called for an "Asian Pacific economic organization" similar to OECD to counter the protectionist trend in Europe and America.

New Zealand not only plays an active role in the Pacific Economic Cooperation Conference but also sets great store by nongovernment economic cooperation and dialogue. Right now it is busy preparing for the seventh Pacific Economic Cooperation Conference to be held in Wellington next year.

#### Prospects: An Open Multilevel System of Economic Cooperation

According to international observers, there are four possible scenarios for economic cooperation in the region in the 1990's: 1) The North American free trade bloc will expand to the western Pacific, forming an even larger Pacific free trade group through a host of bilateral free trade agreements. 2) Through investment in and technology transfer to the "four little dragons" and ASEAN, Japan will link up to these two groups, forming a multilevel pattern of international specialization which could then become the core of a free trade zone that may be integrated with the North American economic bloc if necessary. 3) At a time when major economic blocs in the

world are becoming more and more exclusive, a new trade bloc will appear in East Asia, setting the stage for a confrontation in the Pacific between the North American economic bloc and the "East Asia economic sphere." 4) A loose, multilevel system of economic cooperation in the western Pacific will coexist with the North American free trade zone. There will be interactions between the two as they compete and cooperate.

In my opinion, judging from the attitudes and policies of the various Pacific nations regarding economic cooperation in the region, it is unlikely that the first three scenarios will materialize. A more likely prospect is the fourth scenario. That is, we can expect to see the emergence of a "northeast Asian economic zone," a "South China economic zone," a "Southeast Asian economic zone," a "South Pacific economic zone," and other multilevel, open economic cooperation systems. They will be relatively open systems that will maintain close economic ties to North America and the eastern Pacific.

#### Forms of Regional Economic Cooperation Discussed

40050407 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 4, 16 Feb 89 pp 7-9

[Article by Li Changjiu 2651 7022 0036]

[Text] In recent years, the growth of regional economic entities in the world has stepped up markedly. Of particular note have been the creation of a large unified common market within the European Community, establishment of a free trade agreement between the United States and Canada, and the evolving formation of the East Asia Economic Circle.

#### Serious Challenge From the West European Common Market

Since the mid-eighties, in face of strong competition from the United States and Japan, leaders from EC member nations have held several meetings to discuss establishing a comprehensive "no boundary" integrated market among themselves. In June 1985, the EC's executive commission proposed a white paper, "Completing the Internal Market," in compliance with a request made by the Brussels leadership conference in March. At that conference, the leaders had reemphasized the basic goals set by the Treaty of Rome and suggested that a great "no boundary" common market allowing freedom of movement for people, goods, jobs, and capital be created within the community. At the Luxembourg leadership conference in December 1985, the plan for establishing a large common market was recognized, and a "Europe-only document" was passed. This document made some revisions to the Treaty of Rome. For example, when certain resolutions were to be passed, it was established that majority vote was replacing the original unanimous vote. On 13 February 1988, the 12 member nations of the EC arrived at a consensus on the Dolors Plan. The Dolors Plan is a reform outline proposed by the EC's

executive committee in February 1987, the chief features of which include expanding the community's financial resources, controlling agricultural outlays, and increasing its funding structure. By now, in creating a unified market within the community, not only does the EC have a clear goal and a practical plan, it is also prepared with a corresponding decisionmaking mechanism and the necessary financial assurances.

For the EC to establish a large integrated market within itself is not a smooth-going task. Problems such as whether or not to have a central European bank and a single currency and balancing the benefit relationships between member nations whose economic strengths and development levels vary widely, cannot be resolved within a short period of time. However, the formation and implementation of a large and unified common market within the EC is moving forward with a momentum that cannot be reversed.

According to statistics from the International Monetary Fund, exports from the EC totaled \$958.1 billion, comprising 38.7 percent of total world exports valued at \$2,475 billion. However, 58 percent of these exports were conducted within the community. Total imports into the community were \$954.8 billion, comprising 37.1 percent of total world imports worth \$2,575 billion, of which 58 percent also took place within the community. An editorial in THE NEW YORK TIMES noted that after the EC's large and unified common market has been fully established, the European Community, with its population of 320 million, will become the world's largest trading bloc. This kind of challenge is quite sobering.

#### Initiation of the U.S.-Canadian Free Trade Zone

Since the eighties, in response to competition from Japan and Western Europe and to its mounting deficit with these countries, the United States has been giving priority to establishing a North American free trade zone. On 2 January 1988, American President Reagan and Canadian Premier Mulroney signed a U.S.-Canadian Free Trade Agreement which was to take effect on 1 January 1989. The agreement stipulates that both countries will abolish, within a 10-year period, customs duties and restrictions levied on most commodities traded between them.

The United States and Canada are the world's largest trading partners. In 1987, trade between the two countries totaled \$131 billion, more than the \$116 billion between the United States and Japan. If trade in services were to be added, the U.S.-Canadian trade figure would add up to \$166 billion. According to reports, 70 percent of the exports from the United States to Canada, and 85 percent of the exports from Canada to the United States, are no longer subject to customs duties.

Even with this bilateral trade between the United States and Canada, the United States still shows a continuous trade deficit. According to U.S. statistics, the U.S. trade deficit with Canada grew from \$6.6 billion in 1980 to \$23.3 billion in 1986. However, subsidiary companies of American transnational companies control 54 percent of Canada's oil refining industry, 70 percent of its petroleum chemical industry, 41 percent of its mining industry, and 42 percent of its manufacturing. This way, a great portion of the surplus profit from Canada's American trade still flows back into American pockets. It is just because of this that some Canadians are quite concerned that, after the U.S.-Canadian Trade Agreement takes effect, Canada's economy will be controlled further by the great American economy.

Some Americans do not look at the U.S.-Canadian Trade Agreement this way. Some feel that after the bilateral trade agreement has been implemented, it would help remove some of the bilateral trade friction and stimulate trade. But others feel this agreement would lead to an increase in competitive trade blocs, which in turn would endanger the world trade system.

#### "East Asia Economic Circle" in Planning Stage

In the face of regional economic developments in Western Europe and North America, Japan has taken a countermeasure. On one hand, Japanese companies are taking large steps investing in North America and Western Europe, setting up local plants, buying out local enterprises, or creating joint ventures in order to facilitate local production, local marketing, or marketing directed to third-party nations, to avoid customs duties and other nontax restrictions. On the other hand, it is actively promoting an East Asia Economic Circle to include Japan, the "four small dragons" (South Korea, Singapore, Taiwan, and Hong Kong), and the Eastern Alliance nations (Indonesia, Malaysia, Thailand, the Philippines, and Brunei).

The primary approach Japan is using to promote formation of the East Asia Economic Circle is to provide markets for the "four small dragons" and the Eastern Alliance countries. According to published Japanese figures, industrial products imported by Japan from the "four small dragons" comprise 28.2 percent of its total imports (compared with 26.8 percent for American imports), and the proportion of Japan's foreign trade with the "four small dragons" has risen to 15.3 percent (compared with 14.6 percent for the EC). Second is direct investment in the "four small dragons" and Eastern Alliance countries on a comparatively large scale. According to statistics from Dajuang Prefecture in Japan, direct investment in 1984 by Japan in the "four small dragons," Indonesia, Malaysia, and Thailand, added up to \$1.444 billion, which rose to \$2.063 billion in 1986 and \$3.538 billion in 1987.

### Characteristics of Regional Economic Entities

Though development of regional economic entities in the world is not moving forward in a parallel manner and many differences still exist, several regional economic entities do possess some common characteristics.

1. Mutually beneficial features. Regional economic entities that join together for some common economic benefits are good for the economic development of their member nations. After the EC's Common Market was basically established, it gave economic development of its member nations a great opportunity. According to the EC's forecast, after the large and unified common market is fully established, the value of production output for each of its member nations will increase 5 percent, capital requirements for individual products will drop 7 percent, prices for goods will also drop by an average of 6 percent, and opportunities for 2 million jobs will be created.

2. Mutually complementary features. Transferring part of Japan's production capacity to the "four small dragons" and the Eastern Alliance nations has helped Japan adjust its domestic property structure to obtain a higher level of sophistication. Through this transfer, Japan has moved technical know-how and broadened its capital investment in the "four small dragons" and the Eastern Alliance nations, which in turn, have stimulated adjustments and upgraded improvements in the economic structure of these countries. The economic trade relationship of Japan with these countries and regions has also changed from a vertical distribution of labor to a mutually complementary and horizontal one.

3. Expansiveness. Coordination and cooperation within regional economic entities in areas of trade, customs duties, currency, and other economic policy matters will lead to an ever-broadening relationship between countries and areas within the region. This is an important component of an increasingly and mutually dependent world economy.

However, because of different conditions in different regions where historical and cultural factors, economic strength, and levels of development vary greatly, regional economic collaboration or cooperation will be different. For a fairly long time to come, the East Asia

Economic Circle will be unable to be like the EC in implementing a "no boundary" policy to allow free flow of population, goods, jobs, and capital within itself; nor will it, like the United States and Canada, have the ability to eliminate, within ten years, the imposition of customs duties and other restrictions in bilateral trade. The mutual relationship between nations and areas within the East Asia Economic Circle is a loose one that is obtained through trade, investment, technology transfer, and exchange of talent to form a mutually close and economically dependent cooperative relationship.

### Long-Range Effects

The effect of regional economic entities on the world economy and the development of trade is complex and multifaceted.

Regionalization of the world economy is the product of unequal development in the world economy. Following a tendency for the world economy to become increasingly interdependent and competitive, nations of the same region need to join together or cooperate in an even closer-knit fashion so that, together, they can face competition from another region or nation. Economic regionalization has already become a trend. Apart from the so-called economic circles just described, the Commission on Mutual Economic Assistance is undergoing reorganization and strengthening, and the Caribbean Common Market, the West African Economic Community, the South Asia Regional Cooperative Organization, etc., are in various stages of development. It can be predicted that more regional economic entities will be formed and developed in the future, which will make the world economy even more multipolarized.

Regional economic entities are beneficial to development of a region's economy, but regional economic development cannot be a closed process. Therefore, from a long-range point of view, it is beneficial to development of the whole world's economy and trade.

Of course, regional economic entities must first benefit economic development of the region itself, and because of this, it will be exclusive and protectionist. For this reason, the rise of regionalization has aroused the attention of many nations who are taking active measures to reduce any adverse effect this will have on them.

## NATIONAL AFFAIRS, POLICY

### 'Public Supervision' Seen as Tool To Fight Corruption

OW0706064689 Beijing BEIJING REVIEW in English  
No 23, 5-11 Jun 89 pp 4-5

[From "Notes from the Editors"; article by Jin Qi: "Anti-Corruption and Public Supervision"]

[Text] Beijing's patriotic students recently took to the streets in mass demonstrations, raising a strong demand to liquidate corruption and punish official profiteering. This has evoked widespread repercussions from local citizens. In their dialogues with student representatives, Party and state leaders affirmed that the student demand was reasonable, positive and identical with the goals of the Party and government. The leaders also indicated that they would continue to listen to criticisms from various quarters and solve problems along the path of democracy and through the legal system. This affirmation has been well received.

In recent years, the state has adopted many measures, including economic legislation, the establishment of clean government and crackdowns on graft and bribery, tax evasion and other criminal activities. Despite all this, the phenomenon of corruption is far from being eradicated. In some places, this phenomenon has even gone from bad to worse. A recent news report disclosed that a county cadre in a southwest region had gone so far as to illicitly divide the state's funds for assisting poor areas. A rural cadre in a coastal region wilfully occupied land for his own residence and even used public funds to build a private house. Deputy Governor Yang Huiquan of Hunan Province who was in charge of checking out the legitimacy of companies in the province failed to do so and instead took his relatives along to a company banquet. He squandered more than 4,400 yuan of public funds on just one meal, equivalent to an ordinary worker's pay for three years. Yang has been removed from his post as deputy governor by the provincial people's congress. These scandals have aroused public indignation.

Among these phenomena of corruption, the most harmful that has incurred the greatest popular indignation is "official profiteering" in which officials and businessmen collaborate to further their private interests. This means that they make money by abusing their powers or use money to buy over those with power. Although those engaging in such illegal activities are very few among Party and government officials, their bad influence is enough to tarnish the reputation of the Party and government, leading to a crisis of confidence. It indeed concerns the life and death of a ruling party. And it is high time to solve this problem.

"Official profiteering" is a worldwide, complicated, social problem. Even in countries with a developed economy and government by draconian law, "official profiteering" has not completely vanished. In China

where the old system is being replaced by the new one, where a fair trade market mechanism has not yet been established and there are still many loopholes in the management system which can be exploited by greedy people, it is not hard to understand that "official profiteering" would be generated. Persisting in the reform by establishing a market-oriented economic system and a democratic political system will help eradicate the breeding ground and hotbed of "official profiteering." Pains-taking efforts therefore are required for the fulfilment of this task. However, the pressing need at present is to establish a set of mechanisms for extensive public supervision and rule by law to punish official profiteering and other corrupt behaviour. These mechanisms, already established in many developed and developing countries, have proved effective. China should also be able to do so.

In the past few years, laws and rules of punishing official profiteering and other corrupt behaviour have been basically laid down, even though they require further improvement. The principal problem at present is that the laws are not strictly enforced or are even ignored. This situation must be changed as quickly as possible. At present the state's move to change from rule by men to government by law has enjoyed the understanding of the public. All man-made obstacles should be removed, and the judicial organs' power to conduct trials independently as stipulated by the Constitution and in law should be firmly guaranteed, to ensure that the ancient Chinese saying, "a prince who violates the law should be given the same punishment as ordinary people," should be materialized, so as to win the trust of the people. More importantly, senior Party and government officials should set an example in this regard.

In addition, it is also necessary to establish a set of mechanisms for extensive public supervision, including freedom of speech, freedom of the press, and a system for corruption reporting by the people. It is particularly necessary to increase the openness and transparency of political and economic activities. This seems to be more important for China.

Because historically China had long been a closed society under feudalist rule, the influence of feudal ideology is deep-rooted. It is only ten years since China opened to the outside world and the government loosened its grips domestically. However, publicly reported information is still limited at ordinary times, so the common people only know little about state affairs and things about party and government leaders. As a consequence, once something occurs, people are puzzled by doubts and suspicions and tend to believe rumours. However, the Chinese people have always had a bitter hatred for corrupt officials and showed respect and love for figures like Bao Zheng who was upright and honest and enforced the law strictly. If things are made public and people are allowed to know the truth, they will become the broadest and

strongest supervisory force against corruption, including supervising the judiciary and those judicial and prosecutorial organs into which corrupt factors may infiltrate.

In recent years, some local governments have experimented with the system of making public their work procedures and results, and have accepted supervision from the masses. Their practice has proved effective and has been well received by the people. The Shenzhen Special Economic Zone last September introduced a system of making public the incomes of leading cadres and publishing them every month in a bid to check officials' abuse of power for selfish ends. A recent survey of 56 work units of the city shows that local people are generally satisfied with the practice.

This open method is an encouragement and support for the cadres and Party members who are honest in performing their official duties. It helps enhance the people's confidence in and closeness to them. But to those corrupt cadres and Party members, the open method means that they face the threat of being overwhelmed, because once their clandestine, illegal activities are brought into the light of day, they will lose all standing and reputation, to say nothing of being tried and jailed. That is what they fear most.

What needs to be done at present is to spread this effective method of public supervision throughout the country—to every field of endeavour from the central departments down to localities—and firmly implement it by overcoming all resistance. This will be the touchstone to test whether the Party and the government have the genuine determination to combat corruption.

**Survey Details Problems With Drinking Water**  
*OW0307143289 Beijing XINHUA in English*  
*1200 GMT 3 Jul 89*

[Text] Beijing, July 3 (XINHUA)—China will be able to achieve its aim of providing 80 percent of its rural population with safe drinking water by 1990, according to the rural water supply project office under the National Patriotic Health Campaign committee.

The English newspaper CHINA DAILY today quoted the committee as saying that drinking water used by 70 percent of the people in China, mostly in rural areas, has still not reached the desired sanitation standard.

China faces problems in developing safe water supplies because of pollution, the high mineral content of water, and insufficient resources, a five-year survey which covered practically all of the populated areas of the country found.

The survey, conducted by the Institute of Environmental Health Monitoring and the Institute of Environmental Health and Engineering, both under the Chinese Academy of Preventive Medicine, noted that about 50 percent of diseases in developing countries are caused by unsanitary drinking water.

The survey discovered that 28 percent of the population in China gets its drinking water from surface sources and 72 percent draws water from underground sources.

Only 21 percent have access to tap water. The rest get their water manually or from motor-pumped wells.

The use of water varies greatly. Beijing residents use an average of 93 liters a day. In Qinghai Province in the country's arid northwest and in Xinjiang Uygur Autonomous Region in the even drier west, the average use is only 15 liters a day.

Huang Chengwu, chief researcher from the Institute of environmental health and engineering, said the rapid development of industry and agriculture and the swift growth of township industries have affected water quality.

He said about 30 percent of the tap water has been polluted by waste gases and industrial effluent and 80 percent of all the water sources in rural areas are in danger of pollution.

The survey also found that about 700 million people are drinking water with excessive coliforms, a major cause of the high incidence of intestinal and stomach diseases in China's rural areas.

By the end of 1987, he said, the water used by 61 percent of farmers had been improved and over 200,000 waterworks had been set up in China's rural areas.

The research groups suggested that greater efforts be made to disinfect tap water services and to protect water sources from pollution. A long-term water quality monitoring system should be set up, too, the researchers said.

Gan, an associate professor from the Institute of Environmental Health and Engineering, said waterborne disease include such infectious diseases as typhoid fever, hepatitis and bacillary dysentery, as well as such endemic diseases as goiter, cretinism and fluorine poisoning.

The survey found that among the 70 million people who drink water with an excessive content of fluorine, 38 million have dental fluorosis and 1.7 million suffer from fluorosis of the bone, a condition that causes joints to stiffen and bones to become deformed.

The research noted a high incidence of tooth decay among the 700 million people whose drinking water has a low fluorine content.

Iodine deficiencies in drinking water have caused about 8 million people to suffer goiters and 240,000 to suffer from cretinism. Most cases are scattered in inland hilly or mountainous areas. "Generally the shortage of iodine in water can be made up by diet," gan said.

In addition, 47 million people endure severe shortages of water, such as the farmers in northwest China's Gansu Province who only have 10 to 15 liters of water a day for their total water use. Water consumption in the mountainous and hilly areas in southwest China's Yunnan and Guizhou Provinces is much lower than the national rural average of 34 liters a day, the survey found.

A research report estimated that it would cost China some 50 billion yuan to achieve the goal of having safe water supplies for 80 percent of the people.

## PROVINCIAL

### **Qinghai Mobilizes Production, Economy Drive** *HK0907053789 Xining Qinghai Provincial Service in Mandarin 2230 GMT 8 Jul 89*

[Excerpts] The provincial government held a radio and television rally on 8 July to mobilize the double increase and double economy drive. The rally called on the cadres and workers on the industry and communications fronts to seriously implement the spirit of the 4th Plenary Session of the 13th CPC Central Committee and the spirit of the third enlarged plenary session of the 7th Qinghai Provincial CPC Committee, give further scope to the spirit of the working class as masters of the country, overcome difficulties, stay at their posts, promote production, launch in depth the double increase and double economy drive, and strive to fulfill this year's tasks. [passage omitted]

Vice Governor Wu Chengzhi delivered a mobilization speech. After summing up the industry and communications performance in the first half of the year and the main existing problems, he said that the guiding idea for the double increase and double economy drive in the second half of the year is: Guided by the spirit of the 4th Plenary Session of the 13th CPC Central Committee, further implement the guideline of improvement, rectification, and deepening the reforms, and mobilize and rely on the masses to persevere in focusing on improving economic returns, in attaching equal importance to increasing production and practicing economy, in achieving increased production through practicing economy, and to fully tap enterprise potentials, so as to fulfill the economic plans.

Wu Chengzhi said that, in accordance with the situation in industry and communications production in the first half of the year, it is necessary to get a good grasp of 10 items to work on in the second half: 1) Continue to readjust the product mix and strive to increase output of products with a ready market and improve total social

supply. 2) Tap internal potential, work hard to economize energy, and improve the efficient use of resources. 3) Work hard to turn deficits into surpluses, improve economic returns, and increase financial revenue. 4) Strengthen capital management, speed up capital turnaround, and ease the contradiction between supply and demand. 5) Promote technological progress, improve product quality, and increase variety. 6) Improve the management of equipment, tap its potential, and extract economic returns from management. 7) Pay attention to production safety and eliminate hidden dangers in order to ensure the normal progress of production. 8) Wage arduous struggle, practice strict economy, and resolutely cut all nonproductive expenditure. 9) Perfect the contracting system and continue to deepen enterprise reforms. 10) Take effective steps to improve ideological and political work in the enterprises, in order to mobilize the workers' enthusiasm for doing a good job in the double increase and double economy drive.

Wu Chengzhi said: "There are at present many problems and weak links in industry and communications in Qinghai. All localities and departments particularly need to strengthen leadership over economic work." [passage omitted]

Governor Song Ruixiang also spoke at the meeting. [passage omitted]

### **Responsibility System in Xinjiang Promotes Development**

*OW0807011189 Beijing XINHUA in English  
0032 GMT 8 Jul 89*

[Text] Urumqi, July 8 (XINHUA)—The responsibility system adopted in 1983 has greatly promoted the development of the Production and Construction Corps in the Xinjiang Uygur Autonomous Region.

In 1982, the profit earned from the corps, mainly grain and cotton, was 4.492 million yuan, whereas the figure jumped to 160 million yuan last year. Industrial and agricultural output value reached 3.74 billion yuan, doubling that of the early 1980s.

The corps' contributions to the country have kept increasing as well. In 1988, the corps submitted to the country 310 million kg of grain, 100,000 tons of cotton, 7,520 tons of edible oil and 54,000 tons of sweet potatoes, respective increases of 46 percent, 90.8 percent, 79.5 percent and 92.9 percent over 1982.

The family responsibility system was adopted by the corps in 1983. Since then, 54,900 family farms have been established and 86 percent of the farmers turned to independent management.

The farmers then expanded their production in many other fields, such as food and fruit processing, building industry and mineral products processing.

As a result, the initiatives of the farmers have been stimulated and their income has also been constantly increased. Last year, the average income of the farmers was 1,536 yuan, 72.97 percent more than in 1982.

In the past seven years, the corps has also introduced 132 million U.S. Dollars and over 72 million yuan in investment, as well as a large amount of advanced technology. They have also established co-operative ties with hundreds of enterprises in Beijing, Shanghai, Guangzhou and Shenzhen.

The corps has also started to export its commodities. In the past seven years they have earned 142 million U.S. Dollars from exports.

## INDUSTRY

### Industrial Output Value Increases in May

OW0307044089 Beijing XINHUA in English  
0530 GMT 2 Jul 89

[Text] Beijing, July 2 (XINHUA)—Industrial output value in May reached 114.6 billion yuan, 11.1 percent more than the same period last year, according to the State Statistical Bureau.

This includes 57.5 billion yuan of production value of light industry, an increase of 11.7 percent, and 57.1 billion yuan of heavy industrial production value, an increase of 10.5 percent.

Production value of state-owned enterprises was 70.4 billion yuan, or 7 percent more than May of last year, while that of collective-run industrial firms reached 39.3 billion yuan, an increase of 15.2 percent, the CHINA DAILY reported today.

Township enterprises, which were included in the category of collective-run firms, had a total output value of 18.1 billion yuan, an increase of 17.3 percent.

In May, Chinese industries manufactured 3.46 million bicycles, an increase of 1.8 percent over May last year, 2.46 million TV sets, an increase of 28.5 percent, 880,000 washing machines, an increase of 4.4 percent, 720,000 refrigerators, an increase of 21.8 percent, 400,000 tons of yarn, up 1.1 percent.

The country produced 5.19 million tons of steel in May, 1.8 percent more than the same period last year, 4.03 million tons of rolled steel, 2.2 percent less than that of last May 990,000 tons of sulphuric acid, an increase of 7.1 percent, 240,000 tons of soda ash, an increase of 7.3 percent, and 1.62 million tons of chemical fertilizer, an increase of 7.5 percent.

Timber output reached 2,96 million cubic meters, nearly the same as that in May of last year, cement came to 19.06 million tons, an increase of 4.3 percent, sheet glass increased by 14.4 percent to 6.44 million cases, motor vehicle production increased by 0.4 percent to 55,000.

China produced 88.92 million tons of coal in May, an increase of 6.5 percent, and 11.55 million tons of crude oil, an increase of 1.6 percent. The total amount of electricity generated in the month was 49.7 billion kilowatts-hours, an increase of 9.7 percent.

Meanwhile, the bureau reported that capital construction investment totaled 30.7 billion yuan in the first five months this year, 4.6 percent less than the same period last year.

Of the total investment, 22 billion yuan was invested in manufacturing sectors, a drop of 4.6 percent, and 8.6 billion yuan in non-manufacturing industries, a drop of 4.7 percent, another 13.5 billion yuan was used for the renovation of state-owned enterprises, a decrease of 12.1 percent.

### Shortages Curtail Steel Production

HK0507081889 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0943 GMT 3 Jul 89

[Report: "Iron and Steel Production in China Is Affected by Shortage of Energy Resources, Communications, and Capital"]

[Text] Beijing 3 Jul (ZHONGGUO TONGXUN SHE)—China's steel output was approximately 29.2 billion tons, pig iron was 27.44 million tons, and steel products were 23.09 million tons in the first half of the year. China's steel output in the annual national plan is 60 million tons. The picture for the year looks pretty grim according to the output in the first half of the year.

Production of the iron and steel industry was affected by the overall strained conditions in energy resources, communications, and circulating funds. The shortage of coal and in the power supply led to abnormal production. As a result, Shanghai's iron and steel enterprises cut back their steel output by 770,000 tons in the first 6 months compared to the same period last year. It is learned that since March and April, its iron and steel industry has gradually returned to normal, with its average daily output exceeding the planned requirements in May and June. However, the industry has not been able to clear the backlog accumulated in the first half of the year.

According to relevant departments, although output for the first half of the year is unfavorable to the situation for the whole year, production conditions have steadied. By the end of September, steel output will be on a par with the same period last year. Therefore, the national plan is likely to be overfulfilled ahead of schedule.

### Steel Production Drops Slightly

OW0207210589 Beijing XINHUA in English  
1418 GMT 1 Jul 89

[Text] Beijing, July 1 (XINHUA)—China produced 29.2 million tons of steel and 27.44 million tons of pig iron in the first six months this year, Ministry of Metallurgical Industry announced here today.

This year's target for steel is 60 million tons.

A ministry official said insufficient supply of energy and strained transportation in the first two months had affected the industry. But in March and April production was picked up and the daily target was outstripped during May and June.

He predicted that by the end of September the total output will catch up with that in the same period last year and the annual plan will most likely be fulfilled ahead of time.

### Industrial Production Grows Steadily in First Half of Year

OW0707120289 Beijing XINHUA in English  
1128 GMT 7 Jul 89

[Text] Beijing, July 7 (XINHUA)—China's industrial production in the first half of this year grew steadily, according to the data released by the State Statistics Bureau here today.

But the data also shows that the irrational industrial mix has been changed little and economic results remain poor.

The industrial output value in the first six months totalled 639.6 billion yuan, a 10.8 percent increase over the same period last year, the data said. Of the total value, 323.6 billion yuan came from light industry, and the ratio between the light industry and heavy industry registered 50.6:49.4.

In comparison with the same period last year, the growing rate of the industrial production in the first half of this year went down by 6.4 percentage points.

The energy production, increased only 1.5 percent at the first two months, but it claimed an average increasing rate of 5.9 percent by the end of last month according to the data. Still, the situation of strained supply of energy and raw materials has been changed little.

The data also noted that economic results of the industrial production in the period is not good, as products were kept long in stock, production cost well exceed the budget and the profits were unwisely used.

### FOREIGN TRADE, INVESTMENT

#### Participation in Regional East Asian Economy

40060652c Shanghai GUOJI ZHANWANG /WORLD OUTLOOK/ in Chinese No 8, 23 April 89 pp 19-21

[Article by Cheng Yun 2052 0061: "China's Participation in the Readjustment of the East Asian Economic Structure"]

[Text] The East Asian region is now passing from an age in which the focus was on political and military competition to an age in which the primary competition is economic in nature. The unending economic miracle being created by this region has been producing one shock wave after another for the world. Prior to the 1980's, the international division of labor within this region displayed the following characteristics: Technology flowed from the United States to Japan, and from Japan to Asia's "four tigers" and the ASEAN nations, while merchandise flowed to the United States from Japan, the "four tigers," and the ASEAN nations. Under these conditions, Japan was in an especially advantageous position. For the United States, Japan was the supplier of final goods; for Asia's "four dragons" and the ASEAN nations, Japan was the supplier of intermediate products. Therefore, Japan maintained trade surpluses vis-a-vis all of these trading partners. In the 1980's, all the nations in the East Asian region have maintained a robust pace of growth which has exceeded that of all other regions in the world. The total volume of products imported or exported by the "four tigers," the ASEAN nations, and Japan in 1987 was 5.4 times greater than that of 1975, while the yearly rate of increase for the entire world was only 0.9 percent. This has enabled this region's economy to become the most vibrant in the world.

After the five-nation meeting of finance ministers in 1985, under the impact of the appreciation of the Japanese yen, the cooperative industrial relationships between the various nations of the western Pacific underwent readjustment at an increased pace. The international division of labor in this region is presently changing from the traditional perpendicular pattern to a level type of international division of labor. There is a clear trend toward strengthening cooperative division-of-labor relationships between producers within a single industry that produce different manufactured goods, or different parts and components. This is also true of cooperative division-of-labor relationships between producers within a single industry that produce manufactured goods within the same category, where these products require different key-component combinations. In the year following the appreciation of the Japanese yen, a new economic cycle appeared in southeastern Asia whereby Japan relied on its great financial strength and technological and managerial superiority to move directly into Asia's newly industrialized countries and territories, and into the ASEAN nations. In 1987, Japan's direct investments totaled \$4.668 billion, of

which \$1.524 billion, or 31 percent, were invested in the ASEAN nations. These nations sent the goods produced with this Japanese capital and equipment back to Japan. The "four tigers" increased their exports of manufactured goods to Japan by 58.1 percent in the first half of 1988, and exports to Japan by the ASEAN nations increased by 71.9 percent. The "four tigers" are working hard, in the midst of this readjustment, to enable their industries to climb to a new level, and become the region's suppliers of intermediate products and capital goods. The ASEAN nations are actively improving their investment conditions and taking advantage of their low-cost labor in order to participate to the greatest extent possible in the region's industrial cooperation and improve their industrial structure.

As a Pacific nation, China represents a long link in the chain stretching across the East Asian region. A "crescent moon economy" based on the Japanese yen has sprung up off China's eastern coastal region, and it includes Japan, the "four tigers," and the ASEAN nations. In the face of this new development, we must grasp the opportunity to take advantage of the deepening of the international division of labor and the changes in trade structure in the East Asian region. We must enter the world economic stage with more courage, and strongly promote the development of the outward-oriented economy.

First, we must go further in opening to the outside world. The policy of opening up must strive vigorously to overcome, as much as possible, political obstacles, and must obtain a greater degree of freedom to participate in East Asian economic cooperation. Foreign policy is a tool of politics, and politics is a tool of economics. We must exert our influence in the readjustment of East Asia's industrial structure in a timely manner. We must actively take part, and quicken China's economic development.

Second, we must take advantage of the fact that Japan and the "four tigers" are expanding their foreign investments and developing offshore production capacity. We must boldly use Japanese and Taiwanese capital to attract advanced technologies and win the ability to actively participate in the international division of labor at a higher level. At present, the technological revolution based on microelectronics that is taking place, and the automatization of industry, are quickly lowering labor costs vis-a-vis total overhead. The importance of labor costs to investment decisions is decreasing. Therefore, international investment trends are switching from the labor-intensive industries of the 1960's and 70's to more technologically advanced industries, such as automobile manufacturing and machinery and electrical appliances. The scale of investment in these industries is relatively large, and there are high skill requirements placed upon the labor force in the area targeted for investment. Furthermore, there must be a good industrial environment capable of serving the needs of the advanced industry in which the investment is being made. Today,

the overall industrial environment is more important than any consideration of special concessions, exchange rates, or political conditions. China should not merely pay attention to the quantity of foreign exchange, but should closely coordinate the attraction of foreign funds with its industrial policy. China must be selective and have targets while attracting and fostering foreign investment in areas where certain technologies are needed. With respect to capital-intensive industries, we should not emphasize the development of freestanding industrial systems, but should participate unreservedly in the international industrial cooperative network. In the case of automobile and machinery manufacturing, for example, we should strive to strengthen our division-of-labor cooperation with other nations in the manufacture of spare parts and components. We must first link up with other nations in those areas where it is feasible, and seek development afterwards.

Third, we must selectively target certain sectors of industry to participate in the East Asian division of labor at the same that we readjust and bring into balance our domestic economic relations. The coastal development strategy and the township industries are the bridges and contact points for our participation in the East Asian division of labor. At this point, China's light textiles should be the industry upon which we focus in order to achieve a breakthrough, but we must change our light textile export product mix and strive to produce higher quality goods that possess greater added value. We must reduce the proportion of primary products among our exports.

Fourth, we must orient ourselves to the East Asian market and vigorously expand exports. In China's across-the-board opening to the outside world, the East Asian region occupies an important position and is the primary export market.

1. We must further expand the Japanese market. Japan is presently expanding its overseas investments and making a transition to economic development governed by domestic demand. Its industry will show a tendency to hollow out, and the domestic market will be opened up. This will cause the exports of Asia's developing countries, which have flowed exclusively to the U.S. market, to veer off into the Japanese market. Due to the increase of Japan's economic strength, the size of their domestic market will be equivalent to two-thirds that of the U.S. market. Now, Japan is both a supplier of capital and technology and a sponge market for the manufactured goods exported by Asian nations (territories). This has provided a good opportunity for China to expand exports and investments abroad. With respect to the expansion of exports to Japan, painstaking market research has revealed that during periods of trade deficits we must first increase rural commodities and light textiles, and increase exports. At the same time, we must gradually expand exports of medium and low-grade machinery and electrical appliances as well as some electronics. We must also work hard to decrease the size

of the trade deficit. With respect to investment in Japan, we must target the openings that will be created as Japanese industry makes its transition to a new level. We must cooperate with Japanese and overseas Chinese capital to develop some medium and small enterprises.

2. We must further consolidate and expand the Hong Kong market. There are several principal methods. Firstly, we must expand exports of various fresh fruits, vegetables, and aquatic edibles. Secondarily, we must accommodate Hong Kong's industrial transition to a higher level by gradually expanding exports of some machinery and electrical appliances. Thirdly, we must use Hong Kong's status as a port of intermediate transit to expand our switch trade. In particular, we must further expand our indirect trade with Taiwan.

3. We must work hard to fight our way into the U.S. market. The U.S. market is the largest in the world. In view of the high level of U.S. consumption, as well as its diversity and ever-changing nature, we must quickly break into the U.S. market primarily on the strength of our labor-intensive light textiles, and our medium and low-grade machinery and electric appliances and electronics. In particular, we must take advantage of the appreciation of the Taiwanese and South Korean currencies, and the fact that these two territories are withdrawing from the U.S. market in order to diversify their markets. We must make plans to take over their share of the market.

4. We must improve our trade activities with the ASEAN nations. We must accommodate the trend of ASEAN nations to make a transition to a higher industrial level, and expand our exports of certain intermediate goods. At the same time, we must actively develop our technology exports. We must take full advantage of the technological advantages of Shanghai and other cities, export "practical technologies," and expand our trade in technology with the ASEAN nations. In our trade with the ASEAN nations, apart from the use of switch trade and reciprocal trade, we must carry out the principle of mutual benefit, and improve the balance of trade.

#### **Textile Industry Explores Cooperative Ventures With USSR**

*HK0607012089 Beijing CHINA DAILY in English  
6 Jul 89 p 2*

[By staff reporter Jiang Xiaoyun]

[Text] Senior textile industry officials of China and the Soviet Union are meeting in Beijing to discuss cooperative ventures.

The vice-minister of the Soviet Ministry of Light Industry and the vice-chairman of the Soviet State Planning Bureau held talks on cooperations in four aspects on Tuesday with China's Textile Industry Ministry.

Bei Yulong, director of the Ministry's Department of International Co-operation, said China is eager to import textile raw materials from the Soviet Union, process them, and then resell them back to the Soviets because China's textile processing capacity far exceeds its supply of raw materials.

The Soviet Union is the second biggest cotton producer in the world, and its annual chemical fibre output tops 1.55 million tons, at least 400,000 tons more than that of China.

"Though not all textile raw materials are very rich in the Soviet Union, this kind of co-operation is possible," said Bei.

The second way of co-operation is to set up joint ventures.

The Soviet Union plans to help China to establish a flax processing factory in Baotou of Inner Mongolia. Soviet flax processing technology is superior to China's. A feasibility report of such a venture has just been finished.

China will also set up a joint venture in the Soviet Union for reeling silk since China's silk industry is rather advanced and the Soviet Union raises some silkworms.

Bei said that China and the Soviet Union are complementary in many aspects of textiles and can learn from each other.

The Soviet Union is strong in flax and wool spinning and garments, while China is good at cotton spinning, knitting and silk producing.

The two countries will also seek co-operations in technical innovation and technological patent transferring.

Sino-Soviet textile co-operations are just beginning but the prospects look very bright," said Bei.

#### **Customs Uncovers Illegal Profiteering, Smuggling in Wuhan**

*OW1207050189 Beijing XINHUA in English  
0634 GMT 11 Jul 89*

[Text] Beijing, July 11 (XINHUA)—The Wuhan live-stock products import and export sub-company has been found by the customs authorities having made illegal profits of more than four million yuan through smuggling and profiteering.

The company was claimed to have resold 3,500 cubic meters of veneer board imported through a hong kong company last year.

The customs administration said the company had imported the board at a low price under a preferential tariff granted to goods that are to be re-exported. But, it re-sold it to two domestic timber companies, one in

Wuhan and one in Guangzhou, at higher prices to make a large profit of 4.28 million yuan, according to today's overseas edition of the PEOPLE'S DAILY.

The customs claimed the company had evaded paying 1.05 million yuan in tariff, and the action had violated relevant regulations.

The regulations stipulate that materials imported for processing as ordinary goods and scheduled to be re-exported can enjoy 85 percent or 95 percent preferential tax reductions. But the materials cannot be resold without customs permission.

The regulations also stipulate that if the imported materials are resold, the customs are entitled to claim back any preferential tax reduction.

The customs authorities charged that the company had gained illegal profits of 4.28 million yuan and evaded tariff of 1.05 million yuan by reselling 3,500 cubic meters of the veneer board to two domestic companies between June and October 1988.

Sales deals of the remaining 2,000 cubic meters of the veneer board were halted by the Wuhan customs after investigations had revealed what was going on.

The customs authorities also alleged that company staff tried to cheat the local customs by putting forward fake documents during the investigation.

An official of the customs administration said that the company had already committed the crime of smuggling and its criminal responsibility should be affixed. But the case had not been settled according to law because of what the official described as "some relevant departments involved in the businesses not being of the same views on it."

#### More Foreign Investment Projects Approved

OW2307081289 Beijing XINHUA in English  
0731 GMT 23 Jul 89

[Text] Beijing, July 23 (XINHUA)—In the first six months of this year, governments at various levels approved more than 3,000 foreign-funded projects with a total overseas investment of \$3 billion, 43 percent and 49 percent more than the same period of last year respectively.

According to an article written by Shen Jueren, vice-minister of foreign economic relations and trade, which was published in the latest issue of the OUTLOOK weekly, despite turmoils in some areas of the country and a counterrevolutionary rebellion in Beijing in May-June this year, many foreign investors have been attracted by the market in China. He attributed this to Chinese Government's consistent policy of reform and opening to the outside world.

Shen noted that many foreigners who left temporarily during the turmoils have now returned to China to continue their businesses here. Some farsighted big foreign companies have never suspended their investment activities in China, Shen added.

He said so far, construction of over 7,000 foreign-funded projects have been completed in China. Recently, the Chinese Government approved a new batch of such projects, he said.

#### Northeast Region Expands Foreign Trade

OW0707050089 Beijing XINHUA in English  
0825 GMT 6 Jul 89

[Text] Beijing, July 6 (XINHUA)—Liaoning, Jilin and Heilongjiang Provinces in northeast China have obtained good results in foreign trade so far this year, the PEOPLE'S DAILY reported today.

From January to June, Liaoning Province exported 1.92 billion U.S. dollars-worth of goods, up 13.7 percent over the same period of last year; Jilin, 310 million U.S. dollars-worth, up 15 percent; and Heilongjiang, 390 million U.S. dollars-worth, the same as in the same period of last year.

According to the overseas edition of the paper, Liaoning Province received direct foreign investment totalling 140 million U.S. dollars on contract in the first six months of this year, up 300 percent over the same period of last year.

Heilongjiang Province has made a breakthrough in foreign trade with the neighboring Soviet Union. Now it has 210 Soviet trade partners and sells more than 4,000 products to that country. The first half of the year saw the province conclude 59 contracts with that country and send 5,700 people to engage in labor service in the Soviet Union.

#### Anhui Province Uses More Foreign Funds

OW2707023189 Beijing XINHUA in English  
1356 GMT 25 Jul 89

[Text] Hefei, July 25 (XINHUA)—Anhui Province, East China, made use of \$25.01 million of foreign funds in the first half of this year, 3.5 times that of the same period of last year.

Among the foreign funds, \$21 million was loans from foreign governments, which was 87.8 percent more than the same period of last year.

Meanwhile, the province signed with foreign companies 13 contracts on technology imports with a total volume of \$7.64 million, which was just 50 percent of the quota for this year.

In May this year, the United Nations Children's Fund decided to increase its aid for the nine projects in Anhui including those of maternity and child care, education and women's employment from \$930,000 to \$980,000.

### **Beijing Jeep Makes Up Losses Caused by Turmoil**

*OW1107135889 Beijing XINHUA in English  
0541 GMT 11 Jul 89*

[Text] Beijing, July 11 (XINHUA)—Beijing Jeep Corporation Ltd is pushing ahead with its production in a bid to make up for heavy financial losses suffered during the recent social turmoil in the capital, according to today's CHINA DAILY.

The plant, one of the three biggest motor industry joint ventures in the country, is now back to producing 146 automobiles a day, 26 more than before the unrest, the paper quoted Zhang Cailin, a spokesman for the corporation as saying.

The breakdown in public transportation during the turmoil last month forced the corporation to stop operation for four days.

Ordinarily 850 automobiles, worth 24 million yuan would have been produced in that time, which witnessed a net loss of 2.4 million yuan.

The spokesman said that they are confident that the loss could be recovered in no more than 100 days.

He said that the corporation produced 19,122 automobiles in the first half of the year, up 19.1 percent over last year. The output was worth 296 million yuan or 51.5 percent of the annual target. Profits were at 65.2 million, up 25.6 percent.

### **Jilin Increases Border Trade With Soviet Union**

*OW1007004289 Beijing XINHUA in English  
0620 GMT 9 Jul 89*

[Text] Changchun, July 9 (XINHUA)—The volume of barter between Jilin Province in Northeast China and the Soviet Union reached 34 million Swiss francs in the first six months this year, 3.8 times that of the same period last year, according to Gao Wen, vice-governor of the province.

Meanwhile, Gao told XINHUA, the two sides signed barter contracts with a total volume of 180 million Swiss francs, twice that of the same 1988 period.

Jilin has 230 kilometers of border with the Soviet Union. It started business with the Soviet Union in 1987. At the beginning, the province could only export a dozen of commodities. This year, however, the varieties of the exports have increased to nearly 100.

Besides, Jilin has also signed 49 contracts on setting up joint ventures, construction of projects, transformation of enterprises, labor service and economic and technical cooperation. So far, the province has sent 550 people to engage in vegetable growing, construction of projects, printing and enlarging color pictures and other jobs at the border of the Soviet Union.

Gao revealed that his province had drawn a three-stage program for further developing its trade with the Soviet Union.

During the first stage, which is from now to the end of 1990, the province will increase its annual trade volume with the Soviet Union to 100 million Swiss francs and start economic or technical cooperation with the Soviet Union in 10 projects.

During the second stage that is from 1991 to 1995, the two figures will be raised to 250 million and 15 respectively.

By the end of the last stage or at 2000, the figures will be further increased to 400 million and 40 respectively.

In order to realize the goals, Gao said, preferential treatment will be given to those units engaging in the border trade. Meanwhile, trading groups, each consisting of many corporations, will be set up and bases of production of commodities for export such as textiles and garments, foodstuff and electronics will be established to secure the sources of the commodities.

### **Liaoning Foreign Trade Increases Jan-May**

*SK0507104589 Shenyang Liaoning Provincial Service in Mandarin 0930 GMT 3 Jul 89*

[Text] Cadres, workers, and staff members in the province's foreign trade departments have overcome obstacles created by the Beijing disturbances and the counter-revolutionary rebellion, surmounted shortages of funds and energy resources, stood fast at their posts, and normally operated all items of business. This year the province's foreign trade has continued to go up steadily. According to statistics, from January to May, the provincial foreign trade and exports increased by 13.7 percent over the corresponding period of last year, and the export of local products increased by 22.6 percent.

At the ongoing Northeast China and Inner Mongolia Export Commodity Trade Fair, in an interview by our reporter, Governor Li Changchun said: Our province will further adopt effective measures to maintain the good trend in the development of foreign trade. He said: "In doing work related to foreign countries, we should first of all strengthen our propaganda with positive examples, deepen foreign countries' understanding of our country's open policy, further improve the work and service quality of foreign trade, and enhance our country's reputation in foreign trade."

He also pointed out: "Our province will further improve the contract responsibility system in foreign trade, introduce industrial enterprises' effective methods in implementing the contract responsibility system to foreign trade enterprises, open up new export channels in line with the readjustment of the export commodity structure, and turn as quickly as possible machine-building and other superior trades of our province into superior trades for export. At the same time, we will enhance the production capacity of foreign trade enterprises, export more commodities, tap the potential of large and medium-sized enterprises that have become entitled to develop exports in recent years, and push such enterprises to the forefront of international markets."

### **Qinghai Exports Increase in First Half of 1989**

*OW0707050889 Beijing XINHUA in English  
1545 GMT 6 Jul 89*

[Text] Xining, July 6 (XINHUA)—The volume of export of Qinghai Province, northwest China, reached 42.56 million U.S. dollars in the first half of this year, 65.22 percent more than in the same period of last year, according to a senior provincial government official.

Liu Chunyou, deputy director of the provincial Department of Foreign Relations [as received] and Trade, told XINHUA that the province fulfilled in the first six months of this year 84.28 percent of the export quota this year.

He added that the provincial import and export corporation of medicines and tonics and the provincial import and export corporation of non-ferrous metals had overfulfilled the yearly quota in export volume.

Deputy Director Liu said that the provincial government had made efforts to develop metal silicon and silicon iron which sell well at the Japanese market. The province has also added a dozen new commodities for export this year, which included refined salt, wool, polyvinyl chloride, magnesium ingot, cotton knitwear, textiles and traditional Chinese medicines. The volume of the new exports in the first half of this year accounted for 20 percent of the total export volume of the province. At present, the province's varieties of exports have amounted to 140.

### **Shaanxi Increases Export Earnings**

*HK1007012089 Beijing CHINA DAILY in English  
10 Jul 89 p 2*

[By staff reporter Liu Ming]

[Text] Xian—In spite of the turmoil and even violent riots that hit parts of the country from mid-April to early June, Shaanxi Province exported goods worth \$191.71 million in the first half of this year. This represented an

increase of 9.04 percent over the same period last year, Zhu Zhenyi, director of the Shaanxi Foreign Economic Relations and Trade Commission told China Daily in an interview.

The income from exports in June alone exceeded \$42.58 million, a record for Shaanxi foreign trade, Zhu said.

Of individual export goods, mineral output met its year plan, while machinery hit 95 percent. This meant the province had achieved 58 percent of its year plan within the first six months.

During this period most companies gave special emphasis on meeting their business commitments. the Shaanxi Arts and Crafts Corporation, for example, when faced with railway transport problems in May, delivered \$50,000 worth of wickerware by truck to Shenzhen. The firm's foreign partner was so impressed that a new contract worth \$500,000 was signed then and there.

Zhu said he was optimistic about the future of Shaanxi's foreign trade. Exports to the United States increased sharply while those to Hong Kong and Macao continued to rise steadily. Joint-venture enterprises also began to contribute to the province's exports.

### **Shanghai To Use More Foreign Investment**

*OW0707025289 Beijing XINHUA in English  
1553 GMT 6 Jul 89*

[Text] Shanghai, July 6 (XINHUA)—Shanghai, the leading industrial center in China, will use 35 million U.S. Dollars of investment this year.

Some projects will be directly funded by foreign investors involving hotels, department stores, recreation centers and industrial companies.

Others will operate with foreign loans. The city is to borrow 14 million U.S. Dollars of foreign loans to build a number of plants for fodder, flour and meat processing.

Construction of these projects will be started within this year.

### **Rate of Foreign Investment Increases in Shanghai**

*OW0407115189 Beijing XINHUA in English  
0813 GMT 4 Jul 89*

[Text] Shanghai, July 4 (XINHUA)—Foreign investment in Shanghai showed a large scale increase in the first half of this year, despite the unrest in Beijing, according to the municipal foreign investment committee.

Shanghai approved 133 projects with direct foreign investment, involving 261 million U.S. dollars. The investment figure is two-thirds more than in the same period last year.

Since the beginning of this year, over 100 overseas companies, from small firms to transnational corporations, have sent representatives to negotiate economic and technological cooperation projects. The overseas companies represent Federal Germany, Britain, Japan, Australia, the Netherlands, Singapore, Italy, Thailand, Switzerland, Poland, Denmark, the Philippines, Belgium, the United States and Hong Kong.

Though some investors suspended their business activities during the unrest in Beijing, the majority continued to negotiate their investment projects soon after the situation stabilized.

For example, on June 14—10 days after Beijing cracked down the riot—32 groups of businessmen from eight countries and regions applied for entry visas.

The overseas investment projects are in industry, transport, construction, agriculture, forestry, water conservancy, commerce and services, and public utilities. Among the 133 projects already approved, 87 percent are in the industrial sector.

Such a high proportion of industrial projects is unprecedented in Shanghai.

Overseas investors said they considered that the investment environment has improved in Shanghai. Most of the investors of the 643 foreign-funded projects in Shanghai feel confident. The majority of the 238 enterprises, which have gone into operation or are under construction, have maintained normal production or construction although they were affected by the Beijing unrest for a period.

In the first six months, industrial output of the foreign-funded enterprises increased by 50 percent over the January-June period of last year, according to the municipal authorities.

#### Xinjiang Witnesses Growth in Exports

HK1307010589 Urumqi Xinjiang Regional Service in Mandarin 1130 GMT 11 Jul 89

[Text] The Xinjiang region witnessed an increase in exports during the first half of this year. The region's foreign exchange earnings derived from export trade totaled \$175.22 million by the end of June, an equivalent of 57.8 percent of the year's export quota and an increase of 23.3 percent over the corresponding period of last year. This figure is higher than the average level of the country for the first half of this year.

In the first half of this year, taking the good opportunity of keen demand for cotton and other raw materials in the overseas market, foreign trade departments of the region made every effort to expand the export of staple products of the region. The export of cotton, textiles, carpet, and handicraft articles has grown remarkably. Meanwhile,

the turnover of Sino-foreign joint ventures, compensation trade, and border trade with the Soviet Union have also increased considerably.

#### Zhejiang Approves Foreign-Funded Projects

OW1107141689 Beijing XINHUA in English  
1515 GMT 10 Jul 89

[Text] Hangzhou, July 10 (XINHUA)—East China's Zhejiang Province has approved another 101 foreign-funded enterprises in the first half of this year, according to a provincial official.

These firms involved a total investment of 125 million U.S. dollars, including 51.68 million U.S. dollars from foreign partners.

Hu Gu, an official at the Zhejiang Provincial Administration for Industry and Commerce, said that although the province met with many difficulties including a shortage of funds and raw materials, it still extended preferential treatments to the foreign-funded enterprises.

According to statistics, in the first half of this year, the 173 foreign-funded enterprises that have been in operation in Zhejiang made a combined profit of 47.11 million yuan (about 12.9 million U.S. dollars), handed in 17.12 million yuan (about 4.6 million U.S. dollars) in taxes to the state, and earned 31.59 million U.S. dollars from exports.

The exports were 63 percent of the annual plan, a 128 percent increase over the same period of last year.

In order to attract more foreign investment, the provincial authorities have paid great attention to the improvement of investment conditions.

The provincial administration for industry and commerce issued six operation licenses to foreign businessmen from Japan, Italy, Switzerland and Hong Kong in June this year.

#### LABOR

##### Linking Wages to Price Index

HK1807065989 Beijing JINGJI RIBAO in Chinese  
30 Jun 89 p 3

[Article by Yang Shune 2254 5293 1230: "Drawbacks of Linking Wages to the Price Index"]

[Text] In economic restructuring, how to steadily increase employees' real wages and avoid a reduction, or minimize the reduction, in their wages is a matter of great concern to all sides concerned in society. Theorists advocated linking wages to the price index. Superficially, through such a linkage the employees' money wages will rise as prices go up. It seems that the argument contains some truth and will also be able to give a consolation to salary earners. However, in essence,

the linkage of wages to the price index under which wages are automatically readjusted according to the price index means putting wages on an index and constitutional basis. Many problems arising therefrom are difficult to solve.

1. Wage and price are two things of different economic categories and their changes are governed by economic laws of their own. Wage is the value of employees' necessary labor compensation expressed in terms of money. The margin of employees' wage increases must be determined by the value created by laborers and of labor they contributed. Only when wage increases are subject to the soundness of labor productivity can a rough balance be maintained between the growth of society's purchasing power and the availability of society's commodities. Price is the value of a commodity expressed in terms of money. Price changes are determined by the amount of socially necessary labor consumed to turn out the commodity and subject to such factors as laws governing supply and demand and the technological and economic policies of a state. The changes in price and labor productivity form an inverse ratio.

2. The linkage of wages to the price index under which "when the river rises, the boat goes up" will surely lead to loss of checks and become a driving force for inflation. In the relationship of wage linkage to the price index, structural price readjustments and implementation of the double track price system are already important factors for inflation. Under these circumstances, if wages are linked to the price index, price hikes will become more attractive and inflation more acute. Whether basic wages or total wages are used as the base figure in linking wages to prices, wage growth and prices will go up synchronously. However, this synchronous growth has no limits or ceilings and will surely become a driving force for inflation. Even in some capitalist countries which link wages to the price index, the choice of varieties and readjustment formulas in putting wages on an index basis is decided through consultations between the government and the trade union or management and labor whose interests are not identical. This is because the relationship of interests between the two sides is fairly highly restrictive to each other. Nevertheless, the fundamental interests of the government, the enterprises, and the employees in a socialist state are identical and the relationship of interests of the three parties is less restrictive than that in a capitalist country.

3. The linkage of wages to the price index will inevitably further encourage nationwide short-term behavior. In the course of reforming the economic structure, to avoid unfairness in benefits among enterprises and "whipping the fast ox," and to let enterprises' wages float along with their economic results, the state has adopted a method of checking and ratifying the wage base figure and the linkage coefficient enterprise by enterprise and to get rid of unfairness among enterprises in profit distribution, the state has introduced a regulatory tax under which

"each enterprise has a specific tax rate." Let us put work load aside. These practices have led to a situation in which enterprises are bargaining for a greater base figure and linkage coefficient and a lower regulatory tax rate. Consequently, the results of the previous reckoning have to be revised time and again. So long as enterprises "raise greater demands," the government would "relax restrictions" to the extent that enterprises finally turn out to be the winner and would keep asking for an increasingly high expected value. Hence, enterprises are concentrating their efforts on bargaining to the neglect of practicing thrift, tapping potential, and improving efficiency. Despite all this, enterprises still can retain more profits under a profitsharing scheme and distribute more bonuses even though their economic results are declining. The current situation is that a self-regulation mechanism and automatic balancing mechanism have not yet been formed in the internal departments of enterprises and the state has set inadequate standards for regulating enterprises and concrete measures to regulate and control wages or bonuses in macroeconomic terms. This being the case, if short-term behavior is accompanied with the softening of budget regulation, linking wages to the price index will further stimulate and intensify the nationwide short-term behavior. In this situation, even though people have more bank notes in hand, they will also find it difficult to buy the commodities they need and at the same time, this will sharpen the contradiction between supply and demand of commodities in short supply.

4. The linkage of wages to the price index will certainly further strengthen the mechanism of competing for greater interests. In the last few years, although the wages of units under the system of ownership by the whole people have increased considerably, they are still quite low compared with those of self-employed workers and employees of units under the system of ownership by the collectives and of Sino-foreign joint-venture units. For example, in 1987, the annual average wage of employees of units under the system of ownership by the whole people was 1,546 yuan; that of employees of units under the other systems of ownership, 1,879 yuan; that of employees of joint-venture units, 2,245 yuan, and that of self-employed workers, 4,000 yuan. The objective existence of a conversion between mental and physical labor and income differential as well as the inequality in unofficially earned income caused by uneven opportunities have led to the emergence of a mechanism of competing for higher incomes. If wages are linked to the price index, this will provide a unified new way for the strengthening and realization of the mechanism of competing for high incomes and people will more easily focus their attention on believing that wages will increase as prices go up to the neglect of improving labor productivity and reducing the amount of wage in the per unit product cost. An increase in labor cost, a reduction in profit, and a spiralling price hike will surely bring a greater swing in market prices. Moreover, as the growth of wage caused by linking wages to the price index and the growth of normal wage are confused, this will make us

unable to appropriately assess and objectively measure the amount of animated and materialized labor needed to turn out social products and that of contributions from which social income is derived and will thus tremendously weaken the role of wage as an economic lever. It will also easily arouse dissent among employees and strengthen the mechanism of competing with each other for higher incomes.

5. The linkage of wages to the price index will exacerbate unfairness in benefits between different regions to a certain extent. Since economy development varies from region to region and regional wage differences coexist side by side with regional price differences, if wages are linked to the price index, the gap between wage and price will further widen.

First, let us discuss regional price differences. As the actual price index varies from region to region, if the price index of living expenses for employees throughout the country is used, this will certainly cause further unfairness in benefits between different regions. If prices are linked to the price indexes of various regions, this may possibly lead to a situation in which out of their own interests, all regions may vie with each other in jacking prices up so as to increase their own price indexes and proceed to raise their own wage levels. If price hikes result in different wage levels in different regions, this will undoubtedly intensify the contradiction between the supply and demand of commodities in different regions, make price relations and differences more confused, seriously affect the state from using the law of value to regulate commodity production and the relationship between market supply and demand, and hinder the development of the planned commodity economy.

Second, let us make an analysis of the accuracy of how the price index is affected. With the development of production, science and technology will keep on making progress; consumption levels will be steadily improved; more new products will continuously enter the market; old products will be gradually eliminated; and the commodities on which the price index is calculated will undergo a constant change. Of such commodities, now some are priced but no transactions have been made and some are available in very limited quantities if any. Therefore, they are inadequately representative. This, plus inconsistency in items of calculation, is one cause affecting the accuracy of the price index. The other cause is that because "a commodity has many prices," exclusive reliance on gathered materials on clearly marked prices submitted by the units concerned cannot comprehensively and accurately reflect the real levels of price index increases in a given period. The price index is influenced by many economic factors. This, coupled with the measures people adopted in the course of its implementation, will make the price index more "inflated."

Again, let us discuss the problems in wage scales in all parts of the countries. Wage scales in all parts of the country were compiled in 1963 when national wage

readjustments were made. Even though the wage zones of Class 1 to Class 5 were abolished one after another, those of Class 6 to Class 11 remain unchanged. As the economy develops unevenly, the current wage scales have brought the people in some localities a lot of unfairness in benefits to which they are accustomed. Against this background, if wages are linked to the price index of national unified living expenses, this will further intensify the unfairness in benefits between different localities.

We favor no linkage of wages to the price index and no attempt to subjugate wages to indexation and regulation, because we want to avoid the emergence of the above-mentioned negative consequences and problems. In handling the relationship between wage and price, we favor curbing inflation, keeping prices roughly stable, and thoroughly raising labor productivity in the light of the state's financial resources and the capability of the enterprises to assimilate and of the people to withstand strains so as to effect a steady increase in employees' real wage levels along with the expansion of production and the state's financial capacity.

#### Unemployment, Labor Shortages Coexist in Guangzhou

HK0507103989 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0404 GMT 1 Jul 89

[Dispatch: "Difficulties in the Recruitment of Workers' and the Rising Unemployment Rate Coexist in Guangzhou"—ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 1 Jul (ZHONGGUO XINWEN SHE)—Although the average unemployment rate of Guangzhou has increased by 25 percent a year over the past few years, difficulties in recruiting workers has been perplexing some state-owned enterprises.

According to statistics, there has been an abnormal situation in labor and employment in the cities and towns of Guangzhou in recent years. On the one hand, the number of unemployed people has increased year by year (an average increase of 10,000 people a year over the past 3 years); on the other hand, difficulties in recruiting workers by state-owned enterprises have gradually become more and more obvious. Since 1984, the textile, building material, shipping, and coal trades of Guangzhou have failed to fulfill 80 percent of their annual quotas for the recruitment of workers. Last year, the textile trade needed some 2,700 new laborers, but could only recruit 453 in urban areas; the shipping trade needed 500 new laborers but could only recruit 36 in urban areas. Because of difficulties in the recruitment of workers, these trades have become seriously short of workers and are compelled to recruit temporary workers from rural areas. The number of temporary rural workers amounted to 210,000 in the whole of last year.

The main reasons for difficulty in recruiting workers in Guangzhou are: 1) Possible channels for employment become wider and wider as the economic sectors are varied, and the individual economy, private enterprises, and tertiary industry have developed strongly. The whole city provided employment for 54,000 people in 1984 and provided employment for 87,000 people last year, an average increase of 12 percent a year. 2) The concept of employment has changed. People awaiting employment and unemployed people have changed their attitude from "a hungry person is not choosy about his food" to "pick the fat or choose the lean." Sample investigation reveals that last year, only some 20 percent of the unemployed expressed "urgent demand for employment" and more than 70 percent were waiting to "choose suitable jobs." 3) Beginning in the fourth quarter of last year, urban areas have discharged some temporary workers coming from other places as a result of improvement, rectification, and the curtailment of the scale of capital construction. At the beginning of this year, as Guangzhou also stopped recruiting temporary workers from the floating personnel coming from other places, the shortage of labor became serious, people awaiting employment and the unemployed were given more chances "to choose," and difficulties in recruiting workers in state-owned enterprises were aggravated. 4) The present unfair distribution in society results in some phenomenon of "reversion." A worker's income in a state-owned enterprise is not as good as that in a collective and a worker's income in a collective is not as good as that in an individual household. A worker's income in the secondary industry is not as good as that in the tertiary industry. The income of a worker holding an "iron rice bowl" is not as good as that of a "beggar" (doing odd jobs). Because of shortages of raw materials, energy resources, and capital, some state-owned enterprises often "have no rice to cook" and their economic results are poor. Many workers and technicians leave state-owned enterprises to work for other enterprises, and people awaiting employment and the unemployed would rather be "idlers" than become workers in these units. These are the main reasons for the coexistence of the rising unemployment rate and difficulties in recruiting workers in Guangzhou.

## TRANSPORTATION

**Development of Yangpu Port 'Put on Hold'**  
*HK1507030089 Hong Kong HONGKONG STANDARD  
in English 15 Jul 89 p 1*

[By Fan Cheuk-wan]

[Text] A controversial multi-billion-dollar development for China's first free port that was strongly backed by the ousted Communist Party chief Zhao Ziyang has been put on hold.

The HK\$10 billion project in Hainan's Yangpu Port, to be leased to a Japanese consortium, has been on ice since the Beijing crackdown because of an argument within the Chinese government.

The blow to the Hainan plan could be part of a wide Beijing move against the "Shenzhen clique"—the outward looking associates of Mr Zhao who hold key posts in Hainan.

Leaders of the province and top executives of the Japanese consortium, Kumagai Gumi, have gone to Beijing to lobby Chinese leaders for approval.

The outcome will serve as a pointer to the future policy direction of China, whose leaders are locked in debate about the scope and speed of reform after the purge of Mr Zhao.

Mr Meng Chuanjun, deputy director of the Hainan Port Bureau Yangpu Port General Office, yesterday confirmed that the preliminary construction had been stalled for the past six weeks.

"The first phase of construction was scheduled to start in early June. But the counter-revolutionary rebellion took place in Beijing at that time, so the State Council delayed its approval on our project," he said.

"After imposition of martial law in Beijing, some Kumagai Gumi officials had expressed worries about instabilities in our future policies," he said.

"After the military crackdown on June 4, they suggested we had better delay the construction work until China restored its economic order."

Mr Meng said the construction work would be held until the State Council gave final approval for the Yangpu project, being designed to mirror Hong Kong's success as a free port.

Hainan's Governor and Vice-Governor—Mr Liang Xiang and Mr Zou Erkang—and party secretary Mr Xu Shijie went to Beijing this week at the State Council's invitation to report on the economic development of the island.

The Hainan provincial government had approved the plan to lease for 70 years some 30 square kilometres of the Yangpu Port, Hainan's largest deepwater port, to the Japanese consortium led by construction giant Kumagai Gumi.

Chinese sources said yesterday hardline Premier Li Peng had shown reservations about the ambitious development.

Sources said the conservative leaders in power were sceptical of the policies proposed in Hainan which allowed a high degree of decentralisation of powers to the provincial government and great autonomy to the foreign investors.

"The hardliners are critical towards the Yangpu project because ousted party boss Zhao Ziyang had been a keen supporter of it. Mr Zhao's second son, Mr Zhao Erjun, was in charge of the Yangpu project when he was working in Hainan," one source said.

Mr Zhao Erjun, deputy president of the Hainan Huahai Co, which represents the provincial government in ventures involving foreign firms, was responsible for negotiating with their Japanese partners over the Yangpu project.

A spokesman for Huahai yesterday said Mr Zhao had left Hainan for Beijing several months ago although he still maintained his position as the deputy president of the company.

A Chinese source commented: "The conservative leaders regarded the Yangpu development plan as too radical in granting full powers to the Japanese investors for them to decide the future development of the port.

"They were worried the Yangpu model would set a dangerous example for other coastal cities to design similar development projects which would further weaken the central bureaucracy's command system.

"The State Council will make a final decision on the fate of the project after negotiations with Hainan leaders and Kumagai Gumi representatives," the source said.

However, reliable Chinese sources said Vice-President Mr Wang Zhen had given strong support for the Yangpu plan and he might be able to persuade the State Council to approve the project.

"After imposition of martial law in Beijing, Mr Wang met Yu Ching-po, the boss of the Kumagai Gumi in Beijing and reassured him the Yangpu project must go ahead," the source said.

Mr Meng confirmed that Mr Yu Ching-po, managing director of Kumagai Gumi, had travelled to Beijing last week to meet Mr Wang to discuss the Yangpu issue.

He said the two were good friends and a State Council decision would be made by October.

"Mr Wang is an influential figure in the government and he has a good understanding of the real situation in Hainan," he said.

Informed Hainan sources said the so-called "Shenzhen clique" within the Hainan leadership was the strongest supporter of the Yangpu project.

"It has long been a strong supporter of Zhao Ziyang and his capitalist-style reforms introduced in coastal areas," the source said.

"The Central Committee members from Hainan, Shenzhen, and Guangdong showed great resistance to the decision to sack Mr Zhao."

## AGRICULTURE

### Recent Changes, Prospects for Agriculture

40060587 Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMY] in Chinese No 4, 23 Apr 89 pp 3-8

[Article in "Agricultural Development Issues" column by Yang Qirong 2799 0796 2837 and Huang Shouhong 7806 1343 1347 of the Ministry of Agriculture's Department of Policy, Law, and Regulation: "The Future of China's Agriculture"]

[Text] **Editorial Note:** For the last 4 years, China's production of grain, cotton, and other major crops has failed to fulfill the state plans. The 4-year old economic stagnation and fluctuation is once again the center of attention in many circles. What is the root cause of China's agricultural problem? How do we extricate ourselves from the predicament and the stagnant situation? Will China's agriculture succeed? Can it become a strong, independent industry with the internal drive and strength to promote its own growth? What kind of economic relationship can we forge between industry and agriculture? The grim situation forces us to ponder and explore these questions. For this reason, beginning in this issue, this journal has set up a special column, "Agricultural Development Issues," to discuss the above topics. We welcome the public to send in articles to express their views. We would like the articles to present clear viewpoints and have sound arguments and delve deeper into the subject matters than before. We will selectively publish quality works.

After a decade's reform, the rural areas have changed dramatically, but the agricultural problems remain. Today's agricultural problems are problems of a new situation. What we have to deal with is not just the relative lack of agricultural productive capacity, but the more serious question of how to resolve the agricultural and food problems economically and promptly under the conditions of regional division of labor and competitive resource utilization. China's agriculture must soon make a decision regarding its future.

### I. New Issues Raised by the Economic Development of the Coastal Region

During the 10 years of rural reform, in prosperous and backward regions alike, agricultural developments basically have been the result of the expansion of traditional agriculture. But because economic developments are uneven among regions, and because of differences in

environment, different regions have chosen different methods to achieve agricultural development. Although the central and western regions have achieved some degree of economic growth, there has been no change in their innate character. In the coastal region to the east, however, things are very different. The rapid development of township enterprises and their rise to the dominant role in the rural economy have bolstered the peasants' economic strength. Employment opportunities have opened up and the income level has been rising steadily. These have lead to a qualitative change in the competitive environment in the agricultural sector. The changes are mainly as follows:

**A. The traditionally dominant industries are losing ground; the production bases have moved to the backward regions.** Historically, the Zhujiang Delta and Chang Jiang Delta have been China's two largest silkworm breeding and white mulberry growing bases. Nowadays, these old bases are not growing much mulberry or raising silkworms any more. In the old silkworm raising areas of Zhujiang Delta, the mulberry planting area has dwindled from more than 100,000 mu in 1978 to a few thousand mu today. The silkworm breeders and mulberry growers have moved to the nearby backward mountain areas or to faraway Sichuan and Shaanxi, making Sichuan the country's largest silkworm and mulberry producing base today. Zhujiang Delta used to be China's largest sugar cane growing region, but production has been shrinking steadily since 1984. Those undeveloped areas of Zhanjiang Delta in Guangdong and southeastern Guangxi are now the country's most important sugar cane growing bases. This fate is shared by cotton in the Chang Jiang Delta. The rise and fall in production has boosted the role of northern Jiangsu and northern China as cotton growers.

**B. Declining grain production is changing the nation's food production and sales patterns** The fertile delta plains historically have been the main sources of China's commodity grain. The small and over-populated areas flanking these deltas used to be fairly self-sufficient also. The easing of the grain situation nationwide and the expanded food circulation among the regions in the 1980's brought much relief to the grain shortage in the eastern coastal region. The wave of radical change in resource utilization quickly swept the entire eastern region, from the deltas to the flanking mountain areas. More and more grain crops are being replaced each year, and the increase in grain production has slowed; in some areas, it has plummeted. The decline in grain production in the eastern region not only has changed the local agricultural structure but has disturbed, and is still upsetting, the equilibrium in the nation's grain production and sales. Because of the huge influx of population from outside of the region, consumption has surged. In the past, the Zhujiang and Chang Jiang Deltas were able to transfer from 1 billion to several billion jin of commodity grain each year. Today, they are transferring in several billion jin. This kind of rise and fall plus the ever-widening supply-demand gap in the traditionally

grain-deficient areas have ended the era of self-sufficiency in the eastern region. Today, grain shortage is running as much as 5-10 billion jin a year in that region. It has changed the east from a grain-surplus to a grain-deficit region, altering the traditional direction and volume of flow of grain in China and upsetting the equilibrium. If we fail to install a mechanism to achieve balance promptly, the nation may not be self-sufficient in grain for long.

**C. While the traditional industries are shrinking, new agribusinesses are springing up along the east coast, and agriculture is being upgraded.** As the reform becomes more thorough, agricultural structural adjustments in the coastal region are being made in combination with the development and modernization of agriculture and with economies of scale and the commercialization of agriculture. This has allowed the burgeoning coastal agriculture to expand and gain prominence. Today, fruit, aquatic products, and modern livestock husbandry are the three fledgling and fastest-growing independent production sectors in the coastal region. In 1987, there were 43,459,000 mu of orchards in the 11 coastal provinces and municipalities, making up 64.3 percent of the nation's fruit growing area. They produce 11,033,000 tons, or 66.1 percent, of the nation's fruit. Since 1981, fruit production in the coastal region has increased at a rate of more than 10 percent a year. Between 1980 and 1987, marine products breeding area along the coast has increased 1.8-fold and production has increased 1.4-fold. During the same period, total output of the nation's aquatic products has increased 1.1-fold. In recent years, in Guangdong Province alone, there was the capacity to raise more than 1 million head of pigs in the factory-like pig farms. The characteristics of this newly developed industry are its large scale, huge investment, high rate of output, and high rate of profit. In some areas, the output value of this newly-developed agriculture has outstripped the traditional kind of agriculture.

People are not paying sufficient attention to the shift and upgrading of agriculture in the coastal region. They still think that the slump in traditional agriculture is caused by the improper price structure, the comparative disadvantages, and the lack of local interests. They think that with proper price adjustments, by providing some subsidies along with improved knowledge, that traditional agriculture, led by the grain crops, can be revived. The truth is, the shift and upgrading of agriculture in the coastal region are the product of economic development; they are the result of agriculture's own transformation to adjust to changes in the environment. To suppress this transformation artificially is impossible, uneconomical, and even harmful.

Today, the coastal region is so well-developed economically that adjustments must be made in the agricultural structure. The reasons are: One, arable land is scarce in the coastal region—the per capita cultivated land is only 1 mu. The climate however is very favorable, and many different crops can grow in this region. But its advantage

lies not in growing grain crops but in growing the new and exotic cash crops and other crops with high added value. Seizing the advantage, coastal agriculture will continue to develop. Two, economic development in the coastal region has raised the peasants' income level and the price of rural labor. In 1987, the income of the peasants in the 11 coastal provinces and municipalities has reached 562.9 yuan, and in the prosperous delta areas, the income in large cities and suburbs has exceeded a thousand yuan. Based on this income level, it is figured that the average price of labor must be at least 1,000-2,000 yuan a year. The peasants cannot earn this kind of income growing grain crops alone. To raise the income of the grain-growing peasants to this level, grain prices must be increased 3-5 times. This is beyond the means of the state and of the people. Three, although the coastal region is fairly well-developed economically, the industrial sector is still unable to nourish the agricultural sector. From the urban industries to the township enterprises, what we see are backward facilities, low technological standards, and the inability to accumulate. If we want to promote development and growth, especially if we desire industries to play the lead role when we join the great international circle, we must allow them to retain all of their accumulations and let agriculture continue to function as the supporting system.

Traditional agriculture has lost its internal vitality and coastal agriculture must function as the supporting system—this is the contradiction we are facing today. Whether we can resolve this contradiction properly and promptly not only will determine the rise and fall of coastal agriculture but will affect the nation's economic development.

In order to guarantee regional self-sufficiency in grain and prevent further decline in grain production, the well-developed regions have adopted dual administrative-and-economic measures to intervene. Administrative intervention means continuing to hand down grain purchase assignments in the same amounts as before and entering into contracts to make the sales mandatory. The purpose is to force the peasants to keep up grain production. But reality proved that the government has not met its goal. Today, the peasants plant grain crops purely out of two noneconomic motives: One is to feed themselves and the other is to fulfill their government grain purchase obligations. Commercialized production of grain to supply the market not only has not increased but has continued to decrease instead. In some localities, the government's grain purchase quotas are met only by buying grain in the market or by accepting money in lieu of grain. In Guangdong's Foshan prefecture, as much as 30-50 percent of the fixed quota grain purchase are substituted by cash in lieu of grain. Thus, administrative intervention has not lifted the sagging grain production.

Economic intervention in grain production consists primarily of "using industry to subsidize agriculture," that is, diverting a substantial portion of township enterprise

profits to subsidize agriculture, especially grain production, in order to narrow the gap between the income of enterprises and the income of other trades. Between 1979 and 1985, nationwide, about 19 billion yuan of the township enterprises' profits were used to subsidize agriculture. This accounts for 25 percent of the realized profits, and if we include education and other public welfare undertaking fundings, they add up to 40-50 percent of the township enterprises' profits. We cannot find fault with "using industry to subsidize agriculture" as an emergency measure; it can temporarily halt the decline in grain production. But we must pay attention to the defects of this policy, also. First, the policy of using industry to subsidize agriculture leads to "distortions" in the agricultural sector. One, it forces the economic system to pay an exorbitant "extra" cost in order to obtain food and raw materials. If we add the investments and subsidies which the collectives and the state put into agriculture, the real price we pay to obtain a jin of grain is much more than the "official price"; it may be as much as two to three times that price or more. Two, it makes it impossible for coastal agriculture to bring along the agricultural development of the interior provinces, making it difficult for anyone to benefit from the division of labor. In a way, "using industry to subsidize agriculture" is only giving coastal agriculture a "blood transfusion." A system that depends on transfusion cannot possibly build up its internal strength. Second, the heavy burden of agricultural subsidy undermines the transformation and development of the township enterprises. It may even cause the coastal economic development strategy to fail. Thus, the policy of using industry to subsidize agriculture is in fact killing the goose that lays the golden egg. If the strategy of pillaging agriculture and giving priority to the development of heavy industry was the first tactical error that caused the long-term underdevelopment and poverty of China's rural areas, then forcing industry to subsidize agriculture may very well be the second tactical error that once again destroys any hope of rural development. In recent years, in contrast to the popular method of relying on township enterprises to save traditional agriculture, there are many success stories of localities shifting the use of resources to obtain food economically and support the development of their export-oriented economies. Guangdong's Shantou City is a typical example.

The agricultural development of the coastal region has reached a critical crossroad. Before us are two options. One is to adhere to the policy of regional self-sufficiency in grain and force the coastal region to go back to producing grain. The other is to go along with the coastal economic development and the trend of agricultural structural adjustments and expand the scope of division of labor and international exchange and draw up a new program to achieve equilibrium in the nation's grain supply and demand. From the above analysis, we can see that the former is a passive choice, and even though it can ease the grain shortage problem in the short-run, it will not strengthen the agricultural sector in the long-run,

nor will it promote the development of the export-oriented economy in the coastal areas. The latter, on the other hand, may be the spontaneous choice of the coastal peasants and local governments, but without the central government's support and the active participation of the interior provinces, it cannot succeed. The coastal region's choice in essence is the country's choice.

## II. Regional Division of Labor and International Exchange<sup>1</sup>

Whether the coastal agricultural structure can continue to undergo adjustments and whether it can continue its up-scale development depends on whether we can attain a new equilibrium in grain. In Great Britain, Japan, and Taiwan, because of the small area and scarcity of cultivated land, domestically, there is little room for maneuvering, and therefore, they depend primarily on the international market and export industrial products in exchange for food. This has created the great international circle. Conditions, along with the existing economic situation, are very different in mainland China. From the point of view of the country as a whole, the economy is still in the early stage of development. The industrial sector has limited foreign currency-earning capacity, and so we have little foreign exchange. At present, the opportunity cost of spending foreign exchange on massive grain import is too high. But being a large country, we have an advantage. Although cultivated land is scarce along the coast, land is relatively abundant in the interior. So far, it is mainly in the well-developed coastal region that traditional agriculture, led by grain, is declining. The equilibrium in supply and demand of grain can be restored in the intermediate-term through the division of labor between the coastal and interior regions. Briefly, the ideal process of China's agricultural and economic developments is as follows: Henceforth, the coastal region should go along with the trend of shrinking traditional agriculture, led by the grain crops, and take out some agricultural resources and use them instead to develop the burgeoning industries which have higher added value and process the products to add value to them. They can export some of those products to earn foreign exchange and use the money earned to purchase advanced technologies and equipment to equip the township enterprises and develop the export of labor-intensive type products. The remaining products can be channeled to the domestic market and traded with the interior provinces for grain. Pushed by demand and compensated by profits, agricultural development in the interior provinces can be brought to another high-water mark. As the nation's industries and township enterprises develop and undergo changes, the labor-intensive type export trades in particular will see rapid development, and it will greatly enhance China's export and foreign exchange-earning capability, and besides helping to upgrade industries, it in turn will also enable us to "make a living" in the international market and reconcile the increase in grain import with the heightening conflict between the large population and the scarcity of land in this country. This is the ideal way

of using regional division of labor and international exchange to minimize the conflict between grain supply and economic development.

The ideas of regional division of labor and international exchange are not trumped up ideas; reality has created a visible embryonic form. Today, the principal commodity grain producing bases have shifted to the central part of the country, and as a result, there are grain shortages in the eastern and western parts of China, but a surplus in central China. In the poverty-stricken regions of the west, because of the lack of purchasing power, their grain shortage is poverty-related. The eastern region is where the purchasing power of commodity grain is. Regional division of labor is primarily the division of labor between the eastern and the central parts of the country. Today, the major grain-deficient provinces and municipalities of the east are Guangdong, Fujian, Shanghai, Tianjin, and Beijing. Their deficiencies are remedied primarily by the central region and by imports. Each year, Guangdong is short 3 billion to 4 billion kilos of grain. Besides transferring in 1.15 billion kilos at parity price under the state plan, 500 million kilos are imported, and the rest are purchased from the outside at a negotiated price. Rice bought at negotiated prices mainly comes from Hunan, Jiangxi, Anhui, and Hubei. Other food grains mainly come from the northeast and from Hebei. Thus the flow of food grains from the central to the eastern part of the country is fairly fixed in direction and volume.

Granted, the volume of flow is far from adequate to meet the eastern region's needs resulting from their agricultural adjustments. Whether an adequate flow can be formed hinges on whether the central region has the latent capacity. Analysis shows that if we adopt the correct general policy, give it enough economic stimulation, mobilize the peasants, further increase the per unit area yield, and make improvements in the moderate- and low-yield farms, the central region can develop the potentiality and increase production within a short period of time. In 1987, the 8 central provinces (including Shaanxi) produced an average of 243.7 kilo of grain per mu, 28.7 kilos less than the average in the 11 eastern provinces and municipalities. The per mu yield has not increased since 1984. There is much latent capacity for increasing the per mu yield in the central region. Today, China has 860 million mu of moderate- to low-yield farmland; most of them are in the central and western parts of the country. There is even greater latent capacity for increasing the production of these farms. According to agricultural experts consulted by the Ministry of Agriculture, given the state's rate of investment and preferential policy, by the end of this century, the 180 million mu of moderate- to low-yield farms in the Huang-Huai-Hai region alone can increase grain production by 50 billion kilos, meat production by 2 million tons, cotton by 20 million tons, and oil crops by 30 million tons. If the moderate- to low-yield farms in China's central and western regions can increase their per mu grain yield by 25 kilo each year in the near- to

mid-term, total output can be increased by 21.5 billion kilos, and if we take the average per mu grain yield in 1987 in the coastal region to be 272 kilo, this is equivalent to replacing 79 million mu, or 10.2 percent, of seeded area in the coastal region and lowering the proportion of grain production from 76.6 percent to 66 percent and raising the proportion of cash and other crops to 34 percent. In this way, the shortage of raw materials resulting from the development of the export-oriented economy in the coastal region can be relieved. The raw material "wars" can be staved off because of reduced participation by the coastal region. From the perspective of the country as a whole, doing a good job in increasing grain production in the central region is the key to promoting agricultural development.

Regional division of labor benefits both the coastal region and the interior provinces. With respect to the coastal areas, division of labor helps them avert the agricultural crisis brought on by sagging grain production and in turn creates the dual domestic-and-international resource exchange mechanism and turns agriculture into an energetic system supporting the country's economic development. As for the interior provinces, constrained by their economic and technological limitations, their industrial development lags far behind the coastal provinces and their agricultural development has stalled; there is no impetus in their economic development. The underlying reasons for the stalled agricultural development, especially grain production, in the interior provinces are entirely different from those in the coastal regions. Although low prices are a fact, the opportunity cost is not very high in the interior. If prices are raised reasonably, the peasants are still willing to grow grain crops. Regional division of labor can take advantage of the price disparity generated by the difference in opportunity cost between the coast and the interior to raise the grain price in the interior provinces to stimulate agricultural growth and turn the central region into China's most commercialized, modernized agricultural base, and then let agriculture spur on a full-scale economic development. If we look at the regional development of nations in the world, giving play to the superiority of agriculture and giving higher priority to agriculture than industry is the law of economic development of the hinterland. This is something people's subjective will cannot change. Thus, regional division of labor is also an objective condition for the economic development of the central region. For this reason, if China's agriculture is to get out of the present stagnant situation, and if we want to propel agriculture production to a new stage, the driving force must come from regional division of labor, and we must liberate and redirect the systemic energy released during the structural change in agriculture along the coast.

In the near- to mid-term, China's grain demand will increase fairly rapidly, but in that short period of time, there will not be significant increase in total supply. Relying on regional division of labor to increase domestic supply may be able to balance the domestic supply

and demand; however, we must also realize that what is effective in the short-term will not solve the long-term supply problem which stems from the limited per capita ownership of resources. China's agriculture is facing a long-term challenge.

In China, not only is the per capita ownership of resources inadequate in the coastal region, the central and western regions are far from being rich. The scarcity of resources nationwide has become a growing problem. In 1988, the per capita farm area has fallen to 0.091 hectare, which amounts to only 32 percent of the world average. It is estimated that by the year 2000, it will drop further to 0.072 hectare. Although land productivity in China is increasing fairly rapidly, because population and farmland are heading in opposite directions, we are facing increasing pressure. In the central region where our hope of greater grain production lies today, the per capita farm area is only slightly higher than the national average, but in five of the seven provinces and municipalities, the per capita farm area is below the national average. The lack of resources will soon become a reality these regions must face. For this reason, the attempt to turn the central region into China's long-term, mainstay grain supplier is becoming an increasingly serious challenge. In the long-run, as the population grows and the economy develops further, there will be uncurbed and steadfast increase in grain consumption. At one time, relevant departments in China set the target of 400 kilo of per capita grain consumption by the end of the century. But statistics in recent years indicate that this target will elude us. By 1988, grain consumption of 36.2 percent of the population in 11 provinces and municipalities nationwide have already exceeded the 400-kilo benchmark; in the three large municipalities, the average is as high as 524 kilo. The steadfast increase in grain demand and the inelastic increase in grain supply is a conflict that cannot be resolved by economic means, given China's natural endowments. We must face this conflict and prepare ourselves for a fairly long and difficult period.

Today, worldwide economic integration has become an irreversible trend. Natural resources which in the past were possessed and utilized by one nation alone are beginning to be shared by many. Never before has the principle of comparative advantage played a bigger role in determining a country's choice of industries. No country can resolve its domestic fiscal economic problems with no economic cost by adopting a closed-door policy. It is now quite fashionable to analyze a specific regional problem from the international perspective, and this has also provided more choices for solving problems. From this perspective, it is not difficult to see that if we put China's grain problem against the bigger picture of the international market, we will be able to find an economic solution—get into the international market and engage in international exchange. This will be our only choice.

Some comrades feel that if China, with its billion plus people, runs out of food, it will be more than the

international market can withstand, nor will China have that much foreign exchange to spend on imported grain.

Here, I must explain that when we say that we should get into the international market, we do not mean shifting all of the responsibilities of supporting the livelihood of a billion people onto the international market. We still have our own naturally endowed resources, and we must utilize our own resources fully before we engage in international exchange in order to reap the greatest economic benefits. Meanwhile, we are talking about the distant future, not tomorrow. Whether China will be capable of feeding its people will depend entirely on its economic development today and in the future.

In the long run, whether China can rely on international exchange to remedy its grain deficiency will depend first on the latent capacity in the international market. Analyses show that there is surplus capacity. In 1986, the world had a population of 4.89 billion and 1.376 billion hectares of cultivated land, averaging 0.284 hectare per person, which is 3.1-fold China's average. Obviously, in terms of the total volume, there is ample latent capacity for solving the food problem in the international scope. If we add other practical elements, there are even greater potentialities. Today, the main suppliers in the global grain market are the United States, Canada, Australia, France, Argentina, and other well-developed and fairly prosperous developing nations. The above five countries account for more than 80 percent of world's grain exports. They not only have much more cultivated land than an average country, their material and technological facilities are more advanced, their per unit area yield is fairly high, and they have ample latent capacity for increasing production. Meanwhile, their domestic consumption is approaching a steady state, and most of the incremental grain output can be exported. Since World War II, sustained by the well-developed nations, worldwide, grain production has exceeded grain sales. Excess supply is the growing problem of the 1980's. The exporting countries are holding huge stockpiles. In 1987, the United States alone had a grain stockpile of 2 million tons, 2.6-fold the 1980 amount. Faced with this situation, the major exporting countries are increasing subsidies in order to increase export. They are fighting an agricultural trade war on the one hand, and on the other they are implementing a fallow system to reduce grain production. It is estimated that in the United States production subsidies account for 16 percent of the total output; they account for 23.9 percent in Canada, and 42.8 percent in the EEC. The United States and the EEC spent as much as \$70 billion on agricultural export subsidies in 1987 alone; this is equivalent to the total income from agriculture exports of the developing nations. Officials in the food and agricultural organizations predict that in the next 30-50 years, there will be no significant change in the surplus grain supply situation worldwide.

The second factor we must consider when we engage in international exchange is the security issue. Grain security refers mainly to political and price risks. Someone

mentioned that during periods of grain shortage, grain can be an even more lethal weapon than petroleum. There are indeed precedents in history when food was used as weapon, but they are rare. Japan and many other countries have long depended on imported grain, and so far they have not encountered the "weapon" problem. As international tension relaxes and nations enter into dialogue, the political risk in importing grain is almost nil. Being a market governed by supply-demand relationships, price fluctuations in the international market are normal. There have been frequent sharp rises and sharp falls. If we want to get into the international market, we must prepare ourselves to withstand these price fluctuations. The fact of the matter is, price changes are equally fair to the buyers and the sellers. In the long-run, both sides will come out even. Furthermore, studies show that in the wake of further economy development and the perfection of the storage and transport systems, the price hazard in buying grain in the international market has diminished, and prices have stabilized. Compared to the previous 10 years, in the decade between 1974 and 1984, the price change indices in the international market show that the price of rice has fallen by 11 percent, the price of wheat has fallen by 7 percent, and corn has fallen by 1 percent. If we enter the market at the proper time and learn to be more flexible, we can certainly stand the hazard of price changes.

The third factor to consider as we engage in international exchange is our own economic strength. From the point of our domestic economic development and the price trend, it is only logical that we should participate more in the international market. (1) From the standpoint of China's economic development strategy, as the economy, especially the coastal export-oriented economy, develops, the value of more and more products can only be realized in the international market. But market expansion is a two-way street; it must be balanced. If we want the other side to open their markets, we must offer our domestic market to them too. Resources are scarce in China, and if we want to turn our disadvantaged international trade position around, we must export more processed industrial products which consume little resources but have high added value. At the same time, we must open up our own high resource-consumption and low added-value grain and industrial raw materials markets. For example, if we want to increase our export to the United States, the best way is to increase our grain import from the United States, because they have a grain surplus, and increasing import will benefit us and suit them. In an international market where there is excess food supply, importing food can be a "weapon" too. We can make use of this weapon to enhance our position in international negotiations and create better conditions for developing our export-oriented economy. (2) As we look at the trend of price changes here and abroad, grain prices in the international market have been following a long-term downward trend, because labor productivity in the agriculture sector has been rising. In China, however, grain prices have continued to increase. In the near future, the two sets of prices will converge, and it is

even possible that domestic prices may exceed international prices. This will make it even more necessary for us to utilize international grain resources. When domestic and foreign market prices are basically the same, there will be no need to subsidize imported grain, and the state's burden will be lifted.

It is inevitable that China will turn to massive international resources in the future. This is the basic solution to our grain problem. But we must have ample international payment ability, and this ability can only be generated by the industrial sector. Today, we should mobilize all forces to speed up the economic development along the coast and lay the foundation for our voluntary entrance into the international food system. If we fail to do so, when the effective demand for grain exceeds what our resources can supply at home, since we are not prepared nor able to take advantage of the international market, we will put ourselves into a passive position. When we make grain production the key link in our agricultural development strategy and turn regional self-sufficiency into regional division of labor and international exchange, our basic goal is to promote as much industrial development, especially the development of the export-oriented economy along the coast, as possible. This is the goal of the near- to mid-term regional division of labor, and it will remain the goal of our long-range international exchange.

#### Footnote

1. In this article, the designation of the eastern, western, and central regions are as follows: the east (coast) includes the 11 provinces and municipalities of Liaoning, Tianjin, Beijing, Hebei, Jiangsu, Shanghai, Zhejiang, Fujian, Guangdong, Hainan, and Guangxi. The central region is Heilongjiang, Jilin, Henan, Hubei, Hunan, Anhui, and Jiangxi. The rest are deemed the western region.

#### Farmland, Population Problem Analyzed 40060586 Beijing KEJI RIBAO in Chinese 20 Apr 89 pp 1-2

[Article by Wang Xianjin 3769 0341 6651, director, State Land Administration: "China's Arable Land—Current Status, Prospects, and Policies"]

[Text] *Editor's Note: The potential arable land and population crisis, the worst possible hindrance to China's modernization, has long been a cause for concern. The following article gives a historical, comprehensive, and scientific analysis of the present status and development trend of the cultivated land and population situation in China. It maintains that the seriousness of China's land and population problem lies not only in the rapid shrinking of cultivated area, the fast growing population, and the sharpening contradiction between the two, but in our lack of a sense of crisis and urgency due to our failure to fully recognize the tremendous inertia with which the shrinking land and growing population are headed toward a crisis.*

*The article maintains that to solve China's arable land problem, we must improve the economic environment, rectify the economic order, and carry out comprehensive in-depth reforms, and we must start now to make long-range plans and overall arrangements and coordinate our efforts to deal with the problem. It is imperative to adhere to the principle of population control, conservation of resources, and moderation in consumption and the basic national policy to cherish, rationally use, and effectively protect every inch of cultivated land, so that we can preserve for future generations more land, the precious resource on which their survival and development will depend. This article is well worth reading.*

"Land is the source of all production and all beings." (Marx) Human existence and social development are impossible without land. Arable land is the best of all lands. Most of man's consumption and more than 95 percent of his protein are obtained from land, and more than 80 percent of the heat and 75 percent of the protein come from grain produced on farmland. Therefore, a country's per capita area and quality of cultivated land and the quantity and quality of materials that land yields are the most fundamental material conditions for national survival and development.

#### I. China's Arable Land: Present Status and Prospects

A large population, limited land, and insufficient arable land resources—these are China's basic conditions and the major restricting factors to its social and economic development.

According to statistics, China had 1.468 billion mu of land under cultivation in 1949. In the early period after the founding of the PRC, more wasteland was reclaimed than farmland was occupied for capital construction, and the cultivated area increased year after year. By 1957, China's cultivated land increased to a peak of 1.677 billion mu and then began to fall. In the next 29 years, an average of 21.07 million mu of farmland was occupied each year, resulting in a net loss of 8.07 million mu of arable land annually. Beginning in 1986, the CPC Central Committee and the State Council adopted a series of important measures to curb indiscriminate occupation of cultivated land, which produced some results. In 1987, land management was further strengthened, and targets were set in national plans to control nonagricultural use of land. During the year, nonagricultural use of farmland still totaled more than 12.2 million mu, and, with the reclamation of 5.1 million mu of wasteland, the net loss in arable land was more than 7.1 million mu. The reduction in arable land has slowed down in the past few years, but so has the reclamation of wasteland, a trend which merits attention. The following are major causes for the decrease in cultivated areas.

A. The readjustment of the internal structure of agriculture has resulted in uncontrollable occupation of cultivated land.

A few years ago, due to wrong assessment of the grain production situation and relative economic returns within agriculture, the internal structure of agriculture was improperly readjusted, and a lot of cultivated areas were turned into orchards, fish ponds, forests, and pastures. This is the main cause of the sharp reduction of cultivated land. In 1985, the internal readjustment of agriculture took 19,115,000 mu of land out of grain production, which accounted for 79.7 percent of the year's reduction in cultivated land. In 1986, the figures were 12,835,000 mu and 77.2 percent. The sharp reductions in cultivated area resulted in obviously lower grain output. In 1985, China's grain output dropped by 28.2 million tons from the previous year, of which about 3.59 million tons, or 12.7 percent, was attributable to the occupation of croplands for the internal readjustment of agriculture. In some places, undue emphasis in readjusting the internal structure of agriculture was placed on getting rich at the expense of grain production, even to the extent of "growing fruits on the flat fields, and grain on the hills," or leaving the land and giving up farming altogether. These phenomena remain uncontrolled in some areas.

**B. More cultivated land is being occupied for nonagricultural constructions.**

State construction projects occupied an average of 1,286,000 mu of cultivated land each year during the Sixth 5-Year Plan. Actually the area occupied during the period increased at an annual rate of 21 percent. In 1986, 1,644,000 mu of cultivated land was occupied, an 18.4 percent drop from the 2,014,000 mu in 1985, but 10 percent higher than the 1,494,000 mu in 1984. Some construction projects overestimated their land requirements. The phenomena of taking over more land than needed, occupying land but not using it, and indiscriminate occupation and misuse of land are quite common. According to a survey of land used for nonagricultural construction, 40 percent of the nonagricultural construction projects nationwide have used land illegally, and the percentage is higher than 50 percent in some places. Some cities have expanded at an alarming speed. In the 40 years since the founding of the PRC, cities and towns have occupied too much land too fast, and some have grown to 4-6 times their original size. At present, urban development is mainly expansion outward, and rarely transformation of the old city.

Rural collective construction projects occupied 1.39 million mu of cultivated land in 1985 and 878,000 mu in 1986, which accounted for 28.4 percent and 23.2 percent respectively of the total area of land occupied by nonagricultural construction projects in the same years. In some places, destruction of farmland to build brick and tile kilns has become a rather serious problem. According to statistics, there were 9,000 large and small kilns in Huaiyin and Nantong cities and 13 counties in Jiangsu in 1987. The kilns occupy 85,000 mu of cultivated land, and they eat up more than 36,000 mu of farmland to

produce 700,000 bricks each year. It is an extremely serious waste of land. (Steps have been taken by Jiangsu Province to deal with the problem.)

Peasants occupied 1.46 million mu of cultivated land in 1985 and 1.27 million mu in 1986 for housing construction, which accounted for 30.1 percent and 33.3 percent respectively of the total area of cultivated land occupied by nonagricultural construction projects in the same years. The rural "housing construction craze" has spread to almost every part of the country. Most of the new houses are built on good, level, and oversize grounds. In some places, village and township construction plans fail to follow the national policy of treasuring and making rational use of every inch of land and effectively protecting cultivated land, but call for new housing developments on good, cultivated land. In some cases, hundreds of mu of fertile farmland are destroyed to build new villages or towns.

**C. Serious damage and destruction of cultivated land by natural causes.**

For a long time, blind reclamation of wasteland and indiscriminate felling of forests and grasslands in favor of crop growing have disrupted the ecological balance and caused extensive damages to arable land. Areas of soil erosion in China totaled 1.16 million sq km in the early post-liberation period and expanded to 1.5 million sq km, or 15.6 percent of the country's total area, in the 1950's. In the past 30 years, soil erosion has been checked on 460,000 sq km, but developed in other areas. On balance, China's present soil erosion areas total about 1.3 million sq km, or 13.5 percent of the country's total area. Each year, about 2 million mu of cultivated land are destroyed by floods and sand encroachment. In some places, a fairly large flood can wash away several hundred thousand mu of cultivated land.

**D. The land management system cannot not meet the requirements of land management work.**

Before the promulgation of the "Land Law," land management in China had long been scattered among various departments. Land is managed mainly by administrative means. Land laws and regulations and management organizations are incomplete and ineffective. Townships (towns) are in the forefront of land management, but most of them do not have full-time land management personnel. Funds, personnel, and necessary working tools are lacking. Party policies and state laws can hardly be implemented in these places.

**E. Land has long been used free of charge and without time limit, like food in a big common pot. This not only makes land ownership, whether by the state or the collective, economically meaningless, but makes it impossible to regulate land use and manage land effectively by economic means.**

China is still in the initial stage of socialism, and there is still a great deal of construction to do in all fields. How much more cultivated land will be occupied by various construction projects before 2050? According to a national land estimate, China had about 1.9 billion mu of cultivated land in 1985 (1.45 billion mu according to state statistics),<sup>1</sup> of which about 100 million mu should be returned to forestry and animal husbandry. At the rate cultivated land was occupied by various construction projects in the past few years, about 3 million mu per year, a total of about 200 million mu will be occupied from 1986 to 2050. In the past few years, about 2 million mu of cultivated land has been destroyed by natural disasters each year. At a probable destruction rate of 1.5 million mu per year from now on, about 100 million mu will be destroyed from 1986 to 2050. Adding up the land occupied by construction projects, destroyed by natural disasters, and returned from crop-growing to animal husbandry and forestry, cultivated land will be reduced by about 400 million mu from 1986 to 2050. During the same period, 200 million mu of arable land may be created by reclamation of wasteland and development of beaches. Thus, there will be only 1.7 billion mu of cultivated land left by 2050. But the population may break through the 1.5 billion mark and grow to 1.8 billion by that time, and the per capita area of cultivated land will be less than 1 mu. This is an important factor restricting China's economic development.

## II. Critical State of the Capacity of China's Cultivated Land To Support the Population

China is often described as a big country with abundant natural resources. In absolute terms, China is rich in land resources, but in per capita share of these resources, China is rather poor. Therefore, our study of the land cannot be separated with the population. China is now in a boom period of population growth. Between 1962 and 1975, a total of 360 million people were born. From 1986 on, 25.7 million young people will get married each year. Even if each newlywed couple will have only one child, 12.85 million babies will be born every year. China had a birthrate of 22.77 per thousand and net population increase of 14.85 million in 1986, 23.26 per thousand and 17.2 million in 1987, and 20.78 per thousand and 15.41 million in 1988. The total 3-year net population growth was about 47.46 million, more than Iran's total population in 1986. China's population growth is a serious problem. It broke through the 1.1 billion mark in April this year. The return of rising birthrate in China is being followed with concern at home and abroad. According to figures published by the UN Fund for Population Activities, if China's birthrate continues to increase at the present rate, it may have a population of 2 billion by 2030.

There are four population forecasts for 2050: 2 billion, 1.9 billion, 1.8 billion, and 1.6 billion. We think that for the study of the population-support capacity of cultivated land, it is safer to base calculations on the 1.8 billion estimated population.

We must feed 1.8 billion people and build the country. It has been mentioned previously that about 400 million mu of cultivated land will be occupied by various construction projects and destroyed by natural disasters. The important question is how much cultivated land will be needed to feed 1.8 billion people. The answer depends on what standard is used. The UN Food and Agriculture Organization (FAO) considers 2,300 calories of heat in food intake by one person in 1 day and 1 night as sufficient. Converting 2,300 calories of heat into grain, a person will require about 255 kg each year. Western nutritionists consider 9,000 calories of food intake by one person in 1 day and 1 night a high standard of food consumption. Converted into grain, a person will need about 1,000 kg each year. At present, the per capita food consumption in the developed countries is equivalent to about 600-700 kg of grain per year. So we have three food consumption standards: a sufficient standard of 255 kg; a high standard of 1,000 kg; and a present per capita consumption standard of 600-700 kg in the developed countries. By 2050, if we hope to achieve the developed countries' present lower per capita consumption standard of 600 kg of grain per year, which is neither high nor low, we will have a very serious problem.

By 2050, if our population reaches 1.8 billion, then with a per capita grain consumption of 600 kg per year, which is the lower standard of the developed countries today, we will need 1.08 trillion kg of grain. If we cannot expand the area of cultivated land, the only alternative is to increase per unit area yield. By 2050, China will have only 1.7 billion mu of cultivated land, of which 1.36 billion mu, or 80 percent, will be sown to grain. With a multiple crop index of 160, the sown area will be 2.176 billion mu. To bring our total grain output to 1.08 trillion kg, we will need a per mu yield of 496 kg, computed on the basis of sown area, or 750 kg, on the basis of land area. At present, our per mu grain yield based on sown area and land area are 242 kg and 366.65 kg respectively. To guarantee a per capita grain consumption of 600 kg by 2050, we must achieve a per mu grain yield of 496 kg based on sown area, or 749.65 kg based on land area. It will be very difficult to achieve this goal.

Some people maintain that China can solve its grain problem through imports. That is impossible. At present, the world's grain reserve<sup>2</sup> has dropped to the danger level, and the world's grain supply is in a "global alert state." The world's total grain reserve reached a high of 236 billion kg in 1960, but has been on the decline almost every year since, and hit a low of 137 billion kg in 1974. Only in 1982 was it raised to 273 billion kg. Correspondingly, the number of days the world's grain reserve can guarantee dropped year after year from 104 days in 1960 to 41 days in 1974. In 1983, it was raised to 68 days, still less than the number of days in 1960. According FAO's latest forecast, the world's total grain output in 1988 was 1.73 trillion kg, 3.8 percent lower than in 1987 which was also a lean year, and the lowest since 1983. The world's grain reserve will drop to 251

billion kg, the lowest since 1986, enough only for 54 days of consumption by the world's population. There are 100 grain-importing countries in the world today, and the world's population will grow to about 7 billion. There is not very much grain to be sold to us. Even if there is, shipping will be difficult, and we do not have the ability to pay in foreign exchange. In any case, a big populous country like ours cannot place its hope on the international market to solve its food problem.

It must be pointed out here: The seriousness of the cultivated-land problem lies not only in the sharp reduction of cultivated area, rapid population growth, and sharpening contradiction between population and land, but in the failure of some of our leading comrades to recognize the great inertia with which the shrinking cultivated land and growing population are headed toward a crisis, and in their lack of a sense of crisis and urgency. The major manifestations are: 1) In drawing up construction land use plans or conceiving construction projects, the tendency is to occupy and use more land than necessary or occupy more land without any use for it. 2) Actions are based on short-term considerations, laying stress on economic returns at the expense of social benefits. Some places blindly built urban streets, "processing zones," and "industrial subdivisions." 3) Some leading cadres fail to observe the law, substitute their power for the law, and approve land use even though they do not have the authority. In some places, central policies are countered with local measures, and there are cases in which law enforcement personnel are subdued by lawbreakers. The powerlessness of the land management departments further aggravates the contradiction between the large population and limited land.

### III. Measures To Deal With China's Arable Land Problem

The potential crisis in the capacity of China's cultivated land to support its population, the worst potential hindrance to the country's modernization, has long been a cause for concern. It is imperative to improve the economic environment, rectify the economic order, and carry out in-depth reforms. We must start now to make long-range plans and overall arrangements and coordinate our efforts. We must adhere for a long time to the guiding principle of "population control, conservation of resources, and moderation in consumption" and conscientiously implement the basic national policy to "cherish and rationally use every inch of land and effectively protect our cultivated land" so that we can preserve for future generations as much more land as possible, the precious resource on which their survival and development will depend.

A. We must speed up legislation, strengthen management, and try in every possible way to preserve the existing cultivated area.

First of all, to create a legal environment conducive to protecting cultivated land, it is urgently necessary to enact a "cultivated land protection law." A definite, absolutely protected area of per capita cultivated land should be established. An overall plan on land use should be formulated, and areas of protected farmland should be marked out, which may not be occupied for nonagricultural construction.

Land use standards for various types of construction should be established to control the scale of land use for urban construction. China still does not have an advanced, scientific, and unified construction land use standard. A land use standard should be established for urban construction from now on. Generally the scale of urban construction should be controlled according to the density of city population. Britain, India, and Hong Kong have already set land use standards for each household according to different urban classifications. It is conducive to protecting cultivated land and promoting economical and rational use of land in cities.

Land used for transportation should also be strictly controlled. At present, transportation facilities occupy more than 100 million mu of land in China, and much more will be occupied in the future. The standards for transportation land use should be in keeping with China's conditions. The provisions for preservation of land on both sides of railways and highways and for tree planting should be revised.

There are more than 3.94 million villages in China, occupying nearly 200 million mu of land. I suggest that a rational new plan be made for all the villages in the country. Wherever conditions permit, the villages should be gradually moved to hilly, barren, and otherwise inferior land, and one-story houses should be changed to buildings of two or more stories. If 10 percent of the villages can be moved to barren hillsides, it will make more than 20 million mu of good land available for cultivation. I am not suggesting that the villages be moved to the hills right now. But this is something that has to be done, if not in this century, then before 2050.

Readjustment of the internal structure of agriculture generally should not involve occupation of cultivated land. In the past few years, land occupied due to readjustment of the internal structure of agriculture accounted for about 60 percent of the reduction of cultivated land each year. From now on, there must be strict control. The good grain fields occupied should be returned to grain production gradually.

It is necessary to strengthen procuratorial work on land and straighten out the order in land management. Illegal use of land should be investigated and dealt with according to law. Land should be managed and used according to law.

B. It is necessary to open up new land, increase cultivated area, and improve soil quality in a well-planned and guided way.

Our limited reserve arable land resources should be developed in a planned way. According to a preliminary survey, China has 500 million mu of large stretches of wasteland, of which about 120 million mu can be developed into farmland in the near future, and about 100 million mu of scattered pieces of unutilized and waste land, of which about 50 million mu can be developed into farmland. If the unutilized wasteland is developed in a comprehensive way and used rationally for farming, afforestation, animal husbandry, fishery, and construction, it is entirely possible to fill the gap of cultivated land occupied by construction projects with newly developed arable land.

We should do as much as we can to rebuild the open ditches and raised paths through fields step by step. At present, about 100 million mu of farmland are occupied by irrigation and drainage ditches, and tens of millions mu by raised paths through fields. If a part of the open ditches are turned into underground ditches and the raised paths with wide sloping sides replaced by upright concrete walks, an estimated tens of millions mu of new farmland will be created. To be sure, such a great undertaking will be costly, take a long time to produce results, and may seem impractical. I think it is what has to be done when the arable land crisis reaches a certain point. In fact, related departments in China have long been studying this matter, and countries like Holland have already done so.

Efforts should be made to increase the restoration rate of abandoned land. It is estimated that by 2050, land destroyed by construction will total 60 million mu. At present, only 2 percent of the abandoned land is being restored, and a great deal more can be done. At a 50 percent restoration rate, as in advanced countries, more than 30 million mu can be restored in China. Some of the land can be restored for farming, and some for construction. By 2050, cultivated land destroyed by natural disasters will total about 100 million mu, some of which can also be restored for farming or construction. The two can easily restore tens of millions more mu of abandoned land for farming.

C. Vigorous efforts should be made to overhaul the entire land use system and establish a self-restraint mechanism to insure that land is treasured and used rationally.

To make sure that land is treasured and used in an economical and rational way, there must be a self-restraint mechanism for the hundreds of millions of land users. China has a very serious problem of land waste, and illegal land use continues despite repeated bans. It is mainly caused by allowing land to be used without compensation and time limit, like eating out of a big

common pot. Therefore, management relying completely on administrative means does not work. It is imperative to reform the land use system, and the use of land without compensation and time limit must be changed to use with compensation and time limit. This will give people an incentive to treasure the land and use it economically and rationally, and it will be an important way to check waste, neglect, illegal occupation, and buying and selling of land.

Taxes are already being collected for use of urban land and occupation of cultivated land. Selling and transfer with compensation of the right to use state-owned urban land are also being experimented in some cities. More than 70 [as printed] hectares of land have been sold, and the state received more than 400 million yuan in payment. The State Council has approved in principle the "Interim Regulations Governing the Selling and Transfer of the Right of Use to State-owned Urban Land" and called on the localities to experiment with it first and put it into effect step by step. The selling of land use right should be monopolized, but the transfer of the right should be free. If this can be achieved, we shall have an active land market.

After the reform of the state-owned urban land use system, should payment also be required for the use of collectively owned land? From the land management viewpoint, payment for the use of collectively owned land is a good way to make people treasure and use land economically and rationally, uphold the public ownership of land, and protect the legitimate rights and interests of both owners and users.

However, using collectively owned land with compensation is quite complicated, involving many economic and legal problems, especially land used for construction. More theoretical and practical studies are needed. At the same time, conditions differ from place to place, and it should be done on a trial basis in light of local realities.

D. Vigorous efforts should be made to develop science and technology, increase investment in agriculture, and raise farmland productivity.

It is necessary to increase investment and raise per unit area yield. We have often said that we should rely on policies, science, and investment. At present, while relying on policies to encourage peasants to produce more grain, we must raise per unit area yield mainly by increasing investment in cultivated land. In 1987, China's per mu grain yield based on sown area was about 242 kg, and there is potential for increasing per unit area yield. By 2050, if per-mu yield can be raised to 496 kg, then grain output based on 2.176 billion mu of sown area will be increased by 552.704 billion kg, equivalent to 1.114 billion mu of additional arable land. There are now more than a billion mu of medium- and low-yield land in China. Quantitatively and potentially, the improvement of the medium- and low-yield land should become a

major link in our strategy for future agricultural development. While laying stress on raising per unit area yield and transforming the medium- and low-yield land, we must not neglect consolidation of the high-yield land, which will continue to be our mainstay for increasing grain production.

The multiple crop index should be increased to a suitable degree. According to studies by departments concerned, as China's agricultural production conditions continue to improve in the future, the multiple crop index can still be increased by about 10 percent. An increase in multiple crop index by 1 percent is equivalent to an increase of sown area by 15-20 million mu. Therefore, by taking full advantage of China's light and heat resources to create conditions for intercropping and interplanting to produce two or more crops on the same fields, the multiple crop index can be increased from the present 151.2 percent to 155 percent by 2000 and 160 percent by 2050, equivalent to increasing the sown area by 120 million mu and 190 million mu respectively.

It is necessary to step up research in biotechnologies and artificial and synthetic technologies. To solve the contradiction between population and land and the problem of food shortage for mankind, we must ultimately rely on breakthroughs in biotechnologies and artificial and synthetic technologies. We should pay attention to and step up research in these fields now and strive to shorten the process of making these breakthroughs.

**E. We should exercise moderation in consumption and readjust our diet composition to reduce the pressure of food demand.**

Moderation should be encouraged in consumption. In the past couple of years, there has been a phenomenon of "advanced consumption" in China, which is not in keeping with China's conditions and financial capacity. Therefore, it is very necessary to encourage moderation in consumption. Under the existing conditions, people should be encouraged to consume less grain and more meat, less meat from grain-eating animals and more meat from herbivorous animals, and drink fruit wines instead of white spirit. It will help save a lot of grain.

It is necessary to develop the feed industry. At present, our feed is poor in quality and low in conversion rate. The world's average level of concentrated feed consumption for each kilogram of meat, eggs, and milk produced is 4.8 kg, but that in China is 8.6 kg, nearly twice as much. China raises about five times as many hogs but produces roughly the same amount of pork as the United States. Efforts should be made to improve the quality of our feed to match the present average world standard as quickly as possible. The consumption of concentrated feed per kg of meat, eggs, and milk should be reduced from the present 8.6 kg to 4.8 kg. We should strive to

greatly increase the total output of meat, eggs, and milk by improving the conversion rate of feed without increasing the total amount of concentrated feed consumption.

Some experts estimated that in 1985 about 36 percent of China's grain crop was used for feed. If some of the grain fields are changed to growing feed crops directly, using superior forage varieties and planting more closely, an estimated 20 percent more feed can be produced. This is also an important way to solve China's grain and feed shortages.

**F. Vigorous efforts should be made to educate the people on the importance of land to create a social environment conducive to protecting cultivated land.**

We should increase the consciousness of the entire society, especially the leading cadres, of the value of land and make every citizen understand China's land conditions and consciously implement the basic national policy of treasuring and rationally using every inch of land and effectively protecting cultivated land.

**G. It is imperative to practice family planning and control population growth.**

This is a measure of crucial importance. If by 2050, instead of a population of 1.8 billion, we have a population of 1.6 billion or even less, then at a per capita grain consumption of 600 kg, our requirement for grain will be reduced by 120 billion kg. The contradiction between population and land will be greatly alleviated.

China's potential arable land crisis is caused by many factors, and a comprehensive solution is called for. The contradiction between our limited arable land and large population is irreversible. To solve the problem is an extremely arduous task which will require the protracted hard work of many generations. Our generation shoulders great responsibilities. Not only must we work for our own survival and development, but, more important, we must think about the survival and development of the future generations. Therefore, we must start now to make long-range plans, as short-term solutions will not work. If, despite the extremely acute contradiction between population and land, we can solve the problem of feeding 1.8 billion people and meeting their need for construction land, we will be making a great contribution to the Chinese nation and all mankind.

**Footnotes**

1. The figure shown by state statistics at the end of 1985 was 1.45 billion mu. The figure used by the Agricultural Commission and the Planning Commission in 1984 (based on 1980-1983 surveys) was 2.15 billion mu. The gross figure from a 1986 estimate (based on 1979-1985

surveys) was 2.11 billion mu, which, deducting duplications in computing, gave a net area of 1.92 billion mu. The figure used in this article is the net area from the 1986 estimate.

2. World grain reserve consists of two parts, the actual amount of grain in storage and the grain output calculated on the basis of fallow cropland in the United States, the world's major grain supplier.

**Sharp Price Rises Affect Animal Husbandry**  
*HK1807104589 Beijing CEI Database in English*  
*18 Jul 89*

[Text] Beijing (CEI)—China's pig breeding has recovered from a decline at the beginning of the year.

The total number of pigs and sheep in stock during the first half of this year has increased but the Ministry of Agriculture warned of a drop in the number of poultry mainly because of sharp rises in feed prices.

Statistics by 18 provinces, autonomous regions and municipalities showed that the total number of live pigs on hand reached 259.673 million by the end of June, up 1.2 percent compared with the same period last year.

According to the statistics, 106.805 million pigs were sold in the first half of this year, showing a rise of 3.8 percent over the same period in 1988. This resulted in 4.2 percent increase in pork output, amounted to 7.481 million tons.

At the same time, the total number of major livestock also increased by 3.1 percent up to more than 70.81 million head. In addition, the number of sheep increased to 84.55 million, up 9 percent.

However, the Ministry said the total number of poultry had fallen by 6 percent in the first six months compared with the same period of last year, and the output of poultry and eggs is expected to continue to decline.

The Ministry pointed out that the increase in the number of pigs varies in different areas. In places like Hunan and Zhejiang provinces, pig output has fallen along with that of poultry.

An analysis by the Ministry said the rocketing prices of feed still constitute the greatest obstacle to the development of animal husbandry.

During the first ten days of June, the free market price of grain went up by an average of 53.2 percent all over China and that of corn increased by 54.2 percent, causing a 50 percent rise in the price of feed.

At the same time, the drop in the market prices of eggs and poultry also affected the profits of producers and endangered production, said the Ministry.

In Sichuan province, the number of pig breeders of over 50 head has reduced by 70 to 80 percent. Meanwhile the excessive number in stock has brought about a reduction or suspension in the government purchase of pigs.

**Unauthorized Cutting of Trees Worsens**  
*HK1807095589 Beijing CHINA DAILY in English*  
*18 Jul 89 p 1*

[By staff reporter Wang Dongtai]

[Text] The Ministry of Forestry has decided to send supervisors to China's forest areas to protect the trees, an official from the ministry said.

The measure has been taken to cope with the worsening situation in State-owned forests where a large amount of timber has been lost.

Another official from the security department of the ministry said that from January to April this year, 312,661 cubic metres of timber have been lost because of unauthorized felling.

About 13,782 hectares of forest land and about 7,467,000 young trees have also been damaged because of unauthorized felling, said Cao Zhen, the official from the security department.

Cases involving unauthorized felling rose 30 percent in the first four months this year compared with the same period last year, he said.

Sometimes hundreds of people went up to the mountains to rip down the trees. Some were armed, and injured forest rangers with guns, clubs, sickles and axes. During the first four months of this year, there were more than 50 such cases, each involving losses of more than 100 cubic metres of timber.

During the first four months of this year, 897 people were arrested and about 59,650 were detained, sent to labour farms, given a warning, fined or given prison terms.

The cutting down of trees has been out of control in many forest areas in China in recent years. A 1976 survey on forest resources in Heilongjiang Province found 50 million cubic metres of timber missing. The figure rose to 70 million in a 1981 survey.

And in 1986, 177 million cubic metres of timber disappeared in the province. The problem was brought to the attention of the government, and the Ministry of Forestry are trying a new method of sending supervisors to forest areas.

**Aquatic Product Output Up Nationwide**  
*OW1407225389 Beijing XINHUA in English  
0939 GMT 14 Jul 89*

[Text] Beijing, July 14 (XINHUA)—China produced 4.42 million tons of aquatic products in the first half of this year, an increase of 11.4 percent over the same period last year, according to statistics collected from 17 major fishery producing provinces.

An official from the Ministry of Agriculture hailed it a major success after China became the third largest fishery producing country last year by turning out 10.4 million tons of aquatic products.

However, the speed has been slowing down with the passing months owing to lack of money and fishery materials and rising prices for these materials, the official added.

Therefore the Ministry of Agriculture has urged the localities to increase fishery investment through various channels and to improve organization of production in the hot summer, a flood season, so as to ensure a steady increase in the coming six months.

**More Vegetables Available in Cities This Year**  
*OW1507134889 Beijing XINHUA in English  
1329 GMT 15 Jul 89*

[Text] Beijing, July 15 (XINHUA)—China's large and medium-sized cities had more vegetables in the first half of this year, thanks to larger growing hectarage and favorable weather conditions, Liu Jiang, vice-minister of Agriculture, said here today.

Beijing, for an example, turned out 420 million kilograms of vegetables in January-June, 20 percent more than in the same period last year.

Shenyang and Wuhan cities increased their vegetable production by nine percent and 55 percent, respectively.

Another factor behind the increased vegetable supplies was, according to the vice-minister, a steady increase of input in vegetable production. As a result, vegetable prices in some cities dropped compared with that in the same 1988 period.

Liu urged all areas to get everything ready for autumn and winter sowing so as to ensure ample vegetable supplies for the cities for the rest of the year.

**April Price Index for Free-Market Goods**  
*HK2007094589 Beijing CEI Database in English  
20 Jul 89*

[Text] Beijing (CEI)—Following is the price index of goods in free market trade in April 1989, released by CSICSC [China Statistics Information Consultancy Service Center]:

(Note: Price of the same period of last year as 100.)

General Index			
A. Price index of consumer goods			
1. Grain	121.3	121	121.3
2. Edible vegetable oil	122.5	121	123.4
3. Vegetables	169.4	173.8	168.2
4. Dried vegetables	155.2	155.3	155.2
5. Meat, poultry, and eggs	104.9	106.2	103.8
6. Aquatic products	133.2	132.3	133.7
7. Fruits	125.6	124.2	126.6
8. Dried fruits	118.4	115.2	120.4
9. Daily necessities	119.3	121	117.5
10. Firewood	144	146.9	141.8
11. Others	155.6	183.2	130.9
	139.2	142.2	138.5
	115.2	120.5	113.6
B. Price index of agricultural means of production			
1. Forage	112.9		112.9
2. Farm tools	151.6		151.6
3. Poultry, pigs, sheep and goats	117.9		117.9
4. Large domestic animals	106.6		106.6
5. Bamboo and timber	119.3		119.3
	112.9		112.9

	National	Including: Town	Including: Countryside
1. Grain	121.3	121	121.3
2. Edible vegetable oil	122.5	121	123.4
3. Vegetables	169.4	173.8	168.2
4. Dried vegetables	155.2	155.3	155.2
5. Meat, poultry, and eggs	104.9	106.2	103.8
6. Aquatic products	133.2	132.3	133.7
7. Fruits	125.6	124.2	126.6
8. Dried fruits	118.4	115.2	120.4
9. Daily necessities	119.3	121	117.5
10. Firewood	144	146.9	141.8
11. Others	155.6	183.2	130.9
	139.2	142.2	138.5
	115.2	120.5	113.6
	National	Including: Town	Including: Countryside
1. Forage	112.9		112.9
2. Farm tools	151.6		151.6
3. Poultry, pigs, sheep and goats	117.9		117.9
4. Large domestic animals	106.6		106.6
5. Bamboo and timber	119.3		119.3
	112.9		112.9

**Farming Supplies Market Said Stable**  
*OW2507123189 Beijing XINHUA in English*  
*0800 GMT 25 Jul 89*

[Text] Beijing, July 25 (XINHUA)—The latest statistics show that the market for farm supplies has become much more orderly since the state assumed monopoly control in the buying and selling of chemical fertilizer, pesticides and plastic sheeting for agricultural use earlier this year.

In the first half of this year, sales of agricultural production supplies reached 53.19 billion yuan, or 17.5 percent more than the same period last year. This growth rate, much lower than the 24.3 percent registered in the first six months of last year, more or less parallels the current growth in sales of consumer goods.

The decrease in the growth rate of sales of farm supplies indicates that Chinese peasants have a greater faith in the market supply, agricultural experts said.

Of the major means of agricultural production, only the sales of chemical fertilizer rose, an increase of 3 percent over the same period last year. Sales of pesticides fell by 12.9 percent; that of plastic sheeting, 4.2 percent and medium-sized and small farm tools, 9.3 percent.

**Meat, Egg, Fish, Milk Production Increases**  
*OW1507114689 Beijing XINHUA in English 1105*  
*GMT 15 Jul 89*

[Text] Beijing, July 15 (XINHUA)—China increased production of meat, eggs, fish and milk in the first half of this year, providing more foodstuffs than the same period last year, said Liu Jiang, vice minister of Agriculture here today.

According to statistics collected from 22 provinces and municipalities, China is raising 300 million hogs at present, 1.4 percent more than that of last year, and these provinces produced 8.57 million tons of pork in the first half of this year, 4.4 percent more than the same period last year.

Liu said, meat storage in the major Chinese cities can meet the six months' consuming needs of the city dwellers. The amount of beef cattle, sheep increased while domestic animals decreased. But the citizens can have ample supplies as there are enough stored.

He said the country produced 40,000 tons more aquatic products in the first six months this year than the same period last year and their prices are stable.

**Scientists Propose Greater Investment in Grasslands**  
*OW0807194689 Beijing XINHUA in English*  
*1054 GMT 7 Jul 89*

[Text] Beijing, July 7 (XINHUA)—A group of agronomists have called on the government to pay due attention to the deterioration of China's grassland.

In a proposal submitted to the State Council, 61 scientists from the Chinese Academy of Sciences and the Chinese Academy of Agricultural Sciences insisted that more investment should be made on country's 400 million hectares of grassland which makes 40 percent of the country's total area.

The proposal noted that the Chinese consume more meat these days, but mostly pork and poultry. This means more consumption of grain as the stock stable food is grain-turned. As China's farmland has been decreasing, shortage of grain will be a problem for the population.

Therefore, the proposal said, "it is a matter of pressing importance for China to develop grassland resources and raise more herbivorous fat stock."

According to materials supplied by the scientists, the natural conditions of China's grassland are as good as the Western countries, but the livestock products provided in every hectare of grassland in China are far less.

In the past few years, for example, China annually turns out 368 kilograms of meat, 45 kg of wool and 404 kg of milk in every hectare of grassland, only five percent of the amount in the United States.

The grassland experts attributed the situation to little investment and poor facilities for animal husbandry.

According to statistics from the Ministry of Agriculture, China has invested 4.6 billion yuan in grassland since 1949, only some 30 cents for each hectare annually. As a result, two million heads of stock died in every winter due to shortage of grass and proper shelters.

**Jan-May Aquatic Products Output Increases**  
*OW1207051289 Beijing XINHUA in English*  
*0942 GMT 11 Jul 89*

[Text] Beijing, July 11 (XINHUA)—China's output of aquatic products reached 3,114,943 tons in the first five months of this year, 14.7 percent more than in the same period last year, according to the PEASANTS' DAILY.

Quoting sources from the Bureau of Aquatic Products under the Ministry of Agriculture, the newspaper said that marine fishery's output in this period increased the most rapidly, amounting to 1,682,561 tons, 16.4 percent more than in the same period last year.

Meanwhile, outputs of freshwater fishery and marine cultivation during the period grew by 12.5 and 15.7 percent respectively.

However, the newspaper warned, statistics revealed a monthly slowdown in aquatic production during the period, indicating a potential crisis. It attributed the phenomenon to a shortage of funds and rising prices of fishing materials.

### Early Rice Harvest Expected To Rise

OW1007134689 Beijing XINHUA in English  
0946 GMT 8 Jul 89

[Text] Beijing, July 8 (XINHUA)—China's early rice output is expected to rise by up to 500,000 tons this year over 1988 thanks to expansion of paddy fields, according to the Ministry of Agriculture.

To boost the grain harvest this year, the country has expanded paddy fields under early rice by 540,000 ha to 37.8 million ha this year.

As a result of good weather conditions, the rice is growing well in southern China and there will be a good harvest if there is no big flood or severe natural disaster.

### Rising Feed Prices Threaten Livestock Breeding

OW1107104889 Beijing XINHUA in English  
0717 GMT 11 Jul 89

[Text] Beijing, July 11 (XINHUA)—With sharp increases of feed prices, the Ministry of Agriculture has warned of a "landslide drop" in the number of poultry, CHINA DAILY reported today.

The ministry said the total of poultry has fallen by 6 percent this year compared with the same period last year. It predicted that the present situation would remain for the rest of the year.

Agro-economists said that the rocketing price of feed was still the greatest obstacle in the development of animal husbandry.

In the first half of June, the free market price for grain went up by an average 53.2 percent all over China and the price for corn increased by 54.2 percent, causing a 50 percent rise in the price of animal feeds.

In Sichuan Province alone, the number of farm households specializing in pig raising had dropped by 70-80 percent in the first six months of this year.

In a circular to local departments concerned, the Ministry of Agriculture urged for granting preferential treatment, further opening up feed markets, distributing a certain amount of feeds to farmers at state price and adopting emergency measures to turn the situation into normal.

### Rural Districts Reap Beijing's 11th Consecutive Bumper Harvest

OW2407182089 Beijing XINHUA in English  
0754 GMT 24 Jul 89

[Text] Beijing, July 24 (XINHUA)—Beijing's rural districts have reaped a bumper harvest this summer with a total grain output of 917 million kilograms, about 76 million kilograms more than that of last year.

According to today's BEIJING DAILY, this is the 11th consecutive year of bumper summer harvests in Beijing's rural districts, although the sown areas in the districts this year were about 185,000 hectares, less than that of last year.

During the harvest, about 86,000 pieces of agricultural machinery were used on about 133,000 hectares.

The daily has attributed the harvest to more agricultural investment and favorable weather as well as stronger management.

The daily also said that the city had purchased 54.67 million kilograms of wheat that had been contracted for, exceeding the quota by 9.3 percent.

### Summer Grain Purchases Proceed Smoothly in Beijing

OW1707084689 Beijing XINHUA in English  
0749 GMT 17 Jul 89

[Text] Beijing, July 17 (XINHUA)—Purchases of Beijing's summer grain are going smoothly following the bumper wheat harvest, today's BEIJING DAILY reported.

By June 26, the paper noted, Beijing had purchased 56.64 million kilograms of summer grain, more than the contracted target of 44.14 million kilograms and up more than three million kilograms than a year ago.

Thanks to the widespread use of good strains and more scientific farming, the paper says, the quality of this year's summer grain is better than that of last year.

### Group Farming Boosts Fujian Grain Production

OW0108064089 Beijing XINHUA in English  
0100 GMT 1 Aug 89

[Text] Fuzhou, August 1 (XINHUA)—Widespread introduction of a new "group responsibility contracting system," which integrates farmers' incentives with technological renovation, has given a major boost to Fujian's grain production since last year, CHINA DAILY reports today.

Forty out of the 73 counties in the province had adopted the new system this year, said You Heng, director of the province's department of agriculture.

The total contracted area was about 6 million mu (400,200 hectares)—20 percent of the province's total grain growing area—but grain output of this area saw an increase of 100,000 tons, accounting for 40 percent of the total grain yield increase in the province.

"This system is a step forward from the household responsibility system introduced in 1980, because with the participation of agricultural experts and technologists in the contracting group, more attention is attached to production technology," You said.

In one form, the agricultural departments at various levels organize the contractors' board of which the members are from relevant sections inside the departments. The board then summons experts and technologists from the county to form the contractor group which then makes a contract with the local county government.

At the same time, the group also makes contracts with the individual farmers. It promises a set grain yield increase if the farmers follow its supervision.

#### Aquatic Products Output Up in Fujian

OW2007025289 Beijing XINHUA in English  
0940 GMT 19 Jul 89

[Text] Fuzhou, July 19 (XINHUA)—The output of aquatic products in coastal Fujian Province hit 486,000 tons in the first half of this year, a 14.6 percent increase over the same period of last year.

According to statistics, state-run firms in the province sold 3,600 tons of aquatic products at local markets during the period, representing a 43 percent growth over the corresponding period of last year.

To increase the supply of fish in Fuzhou, the capital of Fujian Province, the city's aquatic product companies have established 14 hatcheries and dug 333 hectares of fresh water fish ponds in nearby counties this year.

#### Gansu Reports Rural Economic Progress

HK1707041589 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 15 Jul 89

[Text] According to data provided by the provincial statistics bureau, Gansu's rural economy developed well in the first half of this year. Gansu has attached great importance to grain production this year, and the outlook for summer grain is optimistic. Summer grain production is estimated at 3.87 million tons, an increase of 4.15 percent over last year.

Animal husbandry has developed steadily. The number of large livestock on hand in the first half of the year was 5.77 million, while the numbers of sheep and pigs were 11.62 million and 5.2 million, respectively. These figures showed respective increases of 1.8 percent, 3.6 percent, and 6.3 percent over the same period last year.

Output value of the province's township and town enterprises by the end of May was 1.87 billion yuan, while their total income was 1.66 billion yuan, up 35.8 percent and 34.1 percent, respectively, from the same period last year.

#### Guangdong Early Rice Increases This Year

HK2707074089 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 26 Jul 89

[Excerpt] After a bumper harvest last year, the early rice output of our province once again increased substantially this year. According to preliminary statistics compiled by the province's agricultural departments, per mu yield of 23.04 million mu of early rice fields in our province is 345 kilograms this year, setting a new record. The total output reached 7.95 million tons, an increase of 4.4 percent over last year. [passage omitted]

#### Guangxi Reports Good Early Grain Harvest

OW1207045489 Beijing XINHUA in English  
1425 GMT 11 Jul 89

[Text] Nanning, July 11 (XINHHA)—The Guangxi Zhuang Autonomous Region reported a good early grain harvest of 6.75 billion kilograms this year, up 650 million kilograms over last year.

Included are 5.85 billion kilograms of early rice, up 370 million kilograms over last year, and 815 million kilograms of maize, up 300 million kilograms.

A regional government official in charge of agriculture attributed the good harvest to the efforts made by the local government to promote ensure grain production, expansion of areas under grain crops and applying scientific farming.

The official said Guangxi is China's major sugar cane producer and it has also expanded areas under sugar cane by 14.11 percent to 294,000 hectares.

#### Hainan Targets Agriculture, Infrastructure Improvements

OW2007013189 Beijing XINHUA in English  
0153 GMT 19 Jul 89

[Text] Haikou, July 19 (XINHUA)—Despite a lack of money and raw materials, South China's Hainan Province, the largest special economic zone, promotes agricultural production and infrastructure construction with determination in a bid to improve the economic situation.

The provincial government has sorted out and eliminated non-production items in order to improve the economic environment and rectify the economic order in accordance with the policy of the central government.

The province has to import about 300 million kilograms of grain from other provinces and other countries annually. The provincial government invested 60 million yuan in agricultural production in the first half of this year. The total early rice output reached 795 million kilograms in the period which is second only to the record set in 1974.

In addition, the province continues to work on energy supply, communication and water-supply projects.

This year, the province has invested 3 billion yuan to start or to continue 18 infrastructure construction projects.

**Hunan Reports Problems in Late Rice Crop**  
*HK1807013189 Changsha Hunan Provincial Service in Mandarin 2200 GMT 17 Jul 89*

[Excerpts] Hunan is facing many difficulties in its late rice crop this year. According to statistics, there is a shortfall of 1 million mu of seedlings, and there have been big changes in the strain pattern. The area of hybrid rice has been reduced, the crash reaping and crash sowing season has been delayed, and there are shortages of the capital and materials needed for late rice. [passage omitted]

The province planned to grow 30.3 million mu of late rice, an increase of 540,000 mu over last year. However, this plan can hardly be fulfilled if the problems of seedlings and so on cannot be resolved. The shortage of seedlings has been mainly caused by the poor quality of seed. The area of hybrid late rice will be more than 4 million mu less than last year. In addition, due to the weather, the ripening of the early rice will be 3 to 5 days later than usual, which will be unfavorable for the crash transplanting of late rice. There are also big shortages of capital and fertilizer. These will cause difficulties for the effort to reap a bumper grain harvest this year.

The provincial departments concerned hope that the leaders at all levels will pay attention to these problems, act as soon as possible to resolve them, and strive to avoid a drop in late rice production.

**Defects in Advance Grain Payments System Viewed**  
*HK2507012989 Beijing NONGMIN RIBAO in Chinese 12 Jul 89 p 1*

[Article by correspondent Su Shouquan 5685 1108 3123 and reporter He Dingming 0149 1353 2494: "With Grain Procurement Imminent, Where Have the Advance Payments Gone?—Hunan Points Out Four Defects"]

[Text] Hunan started reaping its early rice a long time ago. Before the procurement of new grain, we heard the following remark in some provincial and county departments: The advance payments for future grain purchase were handed over to the peasants a long time ago. Is this true? Let us review the following facts.

Recently, the Hunan agricultural investigation team conducted investigations in 10 counties (cities), including Xiangyin, Anxiang, Nanxian, and Liling, in the province's major grain-producing areas. According to preliminary statistics, the Bank of Agriculture should have paid 43.38 million yuan in advance payments to the 10 counties (cities) in accordance with the grain purchase contracts this year. However, up to the end of last May, only 32.56 million yuan had actually been allocated, accounting for 75 percent of the total amount that should have been paid. But problems emerged in townships and towns. According to preliminary investigations in 353 townships and towns under the 10 counties (cities), by the end of last May, the peasants had received only 15.83 million yuan in advance payments for future grain purchase, accounting for only 36.5 percent of the total advance payments that should have been paid. Where has the 27.55 million yuan gone? Investigations reveal the following four circumstances:

1. The failure of the structure to operate smoothly and the endless wrangling among various departments have brought about contradictions in the issuance of advance payments for future grain purchases. In early 1988, Liling City's Grain Bureau made arrangements for the issuance of 27.3 million yuan in advance payments for future grain purchase in the city, but the Bank of Agriculture paid only 10.57 million yuan. Who should be responsible for the shortfall? The Bank of Agriculture had difficulties which it was reluctant to discuss. Last year, after receiving money for the sale of grain, the city's grain bureau should have repaid the money it owed to the Bank of Agriculture, but the money was instead taken away by the industrial bank. Up to last April, the grain bureau had owed the agriculture bank 11.99 million yuan, making it difficult for the agriculture bank to recover the funds. In addition to undertaking interest payments, the agriculture bank was also fined over 360,000 yuan by the People's Bank of China. Under such circumstances, the agriculture bank in Liling City had to transfer some of the advance payments for future grain purchases to the People's Bank of China this year. When making a complaint to the persons sent there by the higher authorities, the director of the city's Sifeng grain station said: "The Sifeng grain station last year delivered 22.57 million jin of grain to the city's grain bureau for which the grain bureau should have paid 900,000 yuan. But the grain bureau only paid 300,000 yuan and so by the end of last December, the grain station owed Sifeng grain shop over 2.45 million yuan. Consequently, the grain station had to allocate 420,000 of the 520,000 yuan of the advance payments for future grain purchases allocated this year to repay the debts, and the remaining 100,000 yuan was used to pay the peasant households in the whole district. You can imagine what role 100,000 yuan can have."

2. With numerous reductions from one level to another, not much in advance payments are left for the peasants. To improve the method of issuing advance payments and to prevent the various phenomena of drawing or retaining advance payments for future grain purchases, a

method of issuing certificates for the purchase of goods instead of cash has been adopted in all parts of Hunan Province this year. However, "you have your policies and I have my countermeasures." During our news-gathering mission to Taoyuan County, these reporters saw a dozen or so ways of using advance payments to offset various funds. Not only are they given a multitude of names, but the methods are also ingenious. Some receive certificates for drawing or retaining advance payments for future grain purchases and then go to the supply and marketing cooperatives to get the money to offset various funds that should be delivered to the state; some villages use the advanced payments to collectively purchase chemical fertilizer and then use the money received from the cash sales of fertilizer to offset various funds which should be delivered to the state. In Anxiang County, 18 of the 21 townships and towns have deducted 10.36 million yuan in advance payments and, in Nanxian County, 15 of the 20 townships and towns have deducted 2.92 million yuan in advance payments.

The peasants said, "We never deliver less than what should be delivered to the state and the collective. However, no sooner have we sown seeds than payment is demanded of us. We urgently need money for production in the field. If the advance payments for future grain purchases are deducted, it is as if you have severed the roots of rice seedlings and throttled us."

**3. Some localities adopt the practice of demolishing the east wall to repair the west wall.** Due to the tightened money supply over the past 2 years, some commercial enterprises have large shortfalls in circulating funds. For this reason, some units are eyeing the advance payments for future grain purchase. This is also one of the reasons why it is difficult for the advance payments to reach the peasants. Last April, Xiangxiang City directly allocated 2 million yuan in advance payments to the Agricultural Means of Production Department as its circulating funds. Consequently, some peasants in the city had not received any advance payments by the end of last May. Because they had no money to pay for the grain purchased at the negotiated price, the grain departments in Anren County could do nothing but pay for the grain purchased at negotiated price with the advance payments paid by the agriculture bank.

**4. Some departments and cadres have a blunted sense of serving agriculture.** Many rural cadres still are unclear about the advance payments for future grain purchase. Holding that the government has "people to urge the peasants to deliver grain to the state warehouse," it does not make any difference whether or not the advance payment is made to the peasants.

Are the advance payments no use at all in the peasants' production? The director of Liling's Sifen grain station said, "In the first half of this year, the district had over 1,000 tons of chemical fertilizer which the state sold to us as a reward. By the end of last May, only 180 tons had been sold throughout the district. It is now difficult for

the peasants to make money. Now that it is difficult for the peasants to get the advance payments, how can they have the money to purchase fertilizer!"

#### **Jiangxi Organizes Farm Produce Centers**

*OW0108060289 Beijing XINHUA in English  
1420 GMT 31 Jul 89*

[Text] Nanchang, July 31 (XINHUA)—East China's Jiangxi Province has set up 430 agricultural commodities production centers, according to an official from the provincial government today.

The state has invested in the construction of 124 centers, 71 centers have been built with foreign funds, and another 235 have been built with investment of the local departments.

These centers for production of grain, rape, cotton, fruit, tea, silkworms, tobacco, hemp, cane sugar, forestry, animals, aquatic products, and other farm produce cover 99 counties and cities, he said.

The production centers have helped stabilize and develop Jiangxi's rural economy. Though the province was hit by frequent natural adversities in last spring, its grain output and oil-bearing crops grew over 10 percent over last year and its pigs, output of fowls, and eggs, aquatic products, and fruit increased as well.

#### **Province Issues Circular on Summer Grain Buying**

*OW2807014089 Nanchang Jiangxi Provincial Service  
in Mandarin 1000 GMT 17 Jul 89*

[Text] The provincial government recently issued a circular calling on various localities to do a good job in buying and storing summer grain. The circular points out that purchasing summer grain is not only an important economic task, but is also an important political task. Governments and departments concerned at all levels must do well in propaganda and education work and make the peasants understand that grain contracts are also economic contracts, and that honoring grain sales contracts is an obligation of citizens. The circular stresses that the various localities will be expected to fulfill 70 percent of this year's summer grain purchase plan. Governments at all levels may set their own purchase targets according to local conditions. The circular stipulates that this year's grain market will be opened after the task of grain purchases has been fulfilled. Before the market is open, small buying and selling of grain between the peasants themselves and between the producers and consumers will be still be permitted. After the market is open, only those industrial and commercial units needing grain will be permitted to buy it on the market with the approval of county and city governments. To facilitate market management and prevent price hikes, the province has set the grain price at 50 kg for 40 yuan.

The circular calls on grain, finance, banking, and other departments at all levels to do their best to ensure the supply of funds and avoiding payment in usance notes for grain purchases. At the same time, it is necessary to do a good job in settling accounts with peasants selling summer grain. The circular also calls on governments at all levels to establish a responsibility system so that the summer grain purchase task may be fulfilled by the end of September. Departments concerned should divide their work and responsibility in summer grain purchases. Grain departments should strictly implement the grain purchase policy, set up purchase points, and increase service facilities to accommodate the peasants.

**Ningxia Registers Good Summer Grain Harvest**  
*OW1807194189 Beijing XINHUA in English*  
*1334 GMT 14 Jul 89*

[Text] Yinchuan, July 14 (XINHUA)—The Ningxia Hui Autonomous Region registered a good summer grain harvest of 780 million kilograms this year, up 4.7 percent over the figure of last year.

A regional official attributed the good harvest to more input into farming, readjusting farming policy to improve the production responsibility system, and raising the price for grain purchase.

According to the official, the regional government has sent 1,700 agrotechnicians to rural areas to help farmers boost grain production.

**Xinjiang Sugar Production Reaches Record High**  
*OW1407053389 Beijing XINHUA in English*  
*0145 GMT 14 Jul 89*

[Text] Urumqi, July 14 (XINHUA)—The Xinjiang Uygur Autonomous Region, one of China's six leading sugar producers, turned out 118,000 tons of sugar during the 1988-89 refining season, a new record.

Xinjiang's sugar beet contains a higher sugar content than in other parts of the country because the region has more sunshine, the soil is more fertile, plants are less susceptible to disease and the climate is suitable.

Last year, the local government listed sugar production and refining as a key sector in its industrial production and adopted a series of measures in a bid to raise sugar production.

Xinjiang has nine sugar refineries which have a combined annual output of 230,000 tons.

Four refineries have recently been expanded.

**Shanghai Publisher Prints Clavell's Works**  
*OW1607112389 Beijing XINHUA in English*  
*1044 GMT 16 Jul 89*

[Text] Shanghai, July 16 (XINHUA)—The Chinese edition of *King Rat*, a best seller in Britain, was published by the Shanghai-based 'Knowledge-Seeking Books' Saturday.

The book, written by the noted British writer James Clavell, depicts life in a Japanese camp in Singapore during the World War Two. It is sold in Xinhua Bookstore all over China.

His other two books, *Noble House* and *Whirl Wind*, published by the same publishing house, were also well received in Shanghai.

The Chinese version of the three-volume *Noble House* which is now available on the market is the third edition. The first edition of 23,000 copies of *Whirl Wind* have been sold out in the city, said Ge Weichang, director of the publishing house.

"I like Clavell's works because these books combine thrilling plots with politics, economy and history," said Lin Xiaofen, a post graduate at the Chinese Language Department of the East China Teachers' University.

The 'Knowledge-Seeking Books' has translated and published 26 foreign novels since it was set up in 1985. It will turn out a new translated book—*Thinking About America—U.S.A. in 19th Century* before the end of the year.

**Shanghai To Host International Printing Exhibition**  
*OW1407230789 Beijing XINHUA in English*  
*1426 GMT 14 Jul 89*

[Text] Beijing, July 14 (XINHUA)—An exhibition on international printing equipment and technology is to be held in Shanghai in November 1990, an official from China Printing Materials Corporation (CPMC) announced here today.

At a press briefing today, Chen Mingxun, CPMC general manager, said that there are 20,000 printing firms in China, employing 1.3 million people.

He said that the exhibition, Interprint China'90, is expected to help upgrade China's printing technology.

This will be the third time for China to hold such an exhibition. The previous two were held in Beijing in 1984 and 1988.

The Interprint China'90 is sponsored by China Printing Materials Corporation and Shanghai International Trade Information and Exhibition Corporation.

## EAST REGION

### Anhui Dismisses Professor From CPC, Education Posts

OW2507191889 Beijing XINHUA in English  
1506 GMT 25 Jul 89

[Text] Hefei, July 25 (XINHUA)—The Anhui Provincial Committee of the Communist Party of China and the provincial people's government recently decided separately to dismiss Wen Yuankai, a professor at the Chinese University of Science and Technology, from the posts of member of the CPC leading group and deputy director of the Anhui Provincial Education Commission.

The decisions by the provincial party committee and the government point out that Wen Yuankai has for a long time stubbornly clung to the stand of bourgeois liberalization during the recent turmoil, the decisions add, he issued several so-called "urgent calls" and made instigating speeches on Tiananmen Square in Beijing.

The decisions say that the Anhui Provincial Party Committee and the people's government have decided to thoroughly look into Wen Yuankai's performances during the turmoil and strictly handle the case.

### Shandong Holds Discipline Inspection Plenary Session

SK0607084189 Jinan Shandong Provincial Service in Mandarin 2200 GMT 4 Jul 89

[Text] The provincial discipline inspection commission held its second plenary session in Jinan on 4 July.

The participants in the session deeply studied and implemented the guidelines of the 4th Plenary Session of the 13th CPC Central Committee and the second enlarged plenary session of the 5th provincial party committee, and studied and discussed the issue of how to attend to discipline inspection work at present and in the foreseeable future.

The session urged discipline inspection organs at various levels across the province to resolutely implement the guidelines of the plenary sessions respectively convened by the party Central Committee, the Central Discipline Inspection Commission, and the provincial party committee; further seek unity of thinking and upgrade their understanding; concentrate efforts on managing party discipline; help party committees improve their party style; strictly enforce party discipline; conscientiously handle party members who violated party discipline during the disturbances; deepen education on adhering to the four cardinal principles, opposing bourgeois liberalization, waging arduous struggle, and observing party discipline among party members; punish the corrupt; and strictly investigate and handle undisciplined cases within the party. Simultaneously, discipline inspection commissions at various levels should conscientiously

attend to helping the ranks of discipline inspection workers improve their thinking, workstyle, and professional ability and strive to attend to discipline inspection work in the new age.

## NORTHEAST REGION

### Vice Governor Holds Forum for Foreign Experts, Teachers

SK1270513 Harbin HEILONGJIANG RIBAO  
in Chinese 21 Jun 89 p 1

[Text] Vice Governor Huang Feng today invited some foreign experts on the cultural and educational front and some teachers in Harbin to a forum to solicit their opinions.

Attending the forum were 30 experts and teachers from the United States, West Germany, Canada, France, Japan, Ireland, and the Soviet Union. They were teaching in eight universities in the provincial capital or doing scientific research in the province.

Vice Governor Huang Feng introduced the country's and the province's efforts to stabilize the situation to the participating foreign cultural and educational experts and teachers.

On behalf of the provincial government, Huang Feng thanked these foreign experts and teachers for their efforts to persist in working at the forefront of teaching and scientific research.

Huang Feng said: Our policy of opening to the outside world and our cooperation and friendship with all of you will remain unchanged. All of you have exerted effort to help train our economic and construction personnel. Our provincial government will try its utmost to create a good working and living environment for you.

The atmosphere of the forum was harmonious. Foreign experts and teachers raised questions about China's current situation and the relevant state and provincial policies concerning them, and about the relevant teaching and living conditions. Vice Governor Huang Feng answered their questions.

Some foreign teachers expressed in their speeches that they would be faithful to their work and would continue to exert efforts to expand friendship and cooperation between the people of their countries and Heilongjiang. Kato Tadayasu, a Japanese teacher teaching at Heilongjiang University, said: "Yesterday, all of my students resumed classes. The classroom which was empty for a month is full again. As a teacher, I am very happy. I will work conscientiously here to fulfill my duty." On behalf of the American-Chinese Educational Mutual Visiting Association, Ren Ziqiang, who is teaching at Harbin Engineering University, thanked the provincial government for the good environment and conditions it has provided him. He expressed his intention

to continue to exert efforts to develop exchange and friendship between the American and Chinese peoples. He said that a China visiting delegation organized by his association will visit Harbin at the end of this month.

Liu Gongping, deputy secretary general of the provincial government; Wang Yaochen, director of the provincial foreign affairs office; and Zhang Huifang, chairman of the provincial educational commission, attended the forum.

**Middle School Student Arrested in Harbin**  
*SK1170411 Harbin HEILONGJIANG RIBAO in Chinese 9 Jun 89 p 1*

[Text] A Wuchang Middle School student was seized and handed over to the public security organ by Harbin Engineering University yesterday. He had lied that his sister was killed in Beijing and, by taking advantage of college students' sympathy, practiced deception and stole things from some institutions of higher learning in Harbin City.

Cai Sheng was a grade 2 student at the Wuchang Senior Middle School. He asked for leave last Saturday (3 June) and took a train to Harbin.

According to his confession, he said that he went there to develop a film and do some shopping. After seeing some leaflets in the neighborhood of the Sankeshu Railway Station, he had the idea of taking this opportunity to cheat.

On 6 June, he cheated a taxicab driver and went to the Harbin Construction Engineering College to give a speech in front of the college. He lied that he himself was a senior middle school student of Jilin City and had just returned from Beijing. He said that he was an eyewitness to the whole process of the "bloodshed" incident in Beijing on 4 June.

Cai Sheng fabricated that his sister was a student of the Political Science and Law Department of Beijing University who was killed on the campus by a shot to the chest. He said that he saw with his own eyes a large number of students being killed in Tiananmen Square by vehicles running over them. Many students and the masses were attracted by his vivid speech and many people shed tears.

In his speech, Cai Sheng said that his watch and 300 yuan were lost in Tiananmen Square. This aroused the sympathy of the people. A student in the Mathematics Department of Harbin Engineering University took him to his room and put him up for the night. Some students also decided to raise funds for him.

Next morning, he stealthily put a minicassette player and other articles into his pocket and was discovered by some alert students. He was seized and handed over to the public security organ.

**Theoretical Foundation of 'One Country, Two Systems' Concept**

40050553 Shenyang SHENYANG SHIFAN XUEYUAN XUEBAO [JOURNAL OF THE SHENYANG TEACHER'S COLLEGE] in Chinese  
No 2, 10 Apr 89 pp 33-35, 40

[Article by Li Hongrong 2621 3163 2837, responsible editor Wang Wenda 3769 2429 6671: "Philosophic Reflection on 'One Country, Two Systems'"]

[Text] The great concept of "one country, two systems," put forward by Comrade Deng Xiaoping, is an excellent plan to solve the problem of China's peaceful unification, as it is also a new form of solving a major international dispute, consonant with strategic global changes. The satisfactory solution of the Hong Kong and Macao issues proves incontrovertibly the reasonableness and scientific nature of this great concept, which is then also of far-reaching significance for the early reunification of Taiwan with the mainland. It has to be pointed out that this great concept is a great truth, which fully manifests the unequaled vitality of Marxist philosophical creativity and capability for accomplishments.

**1. The Great Concept of "One Country, Two Systems" is Built on the Foundation of Marxist Dialectical Materialism and Epistemology**

Dialectical materialism maintains the priority of matter, the secondary character of consciousness, and the reactions of consciousness. The epistemology of dialectical materialism asserts that the material world is the only source of human knowledge. It is through practice that man can gain accurate knowledge of the objective world and its laws, and can bring benefit to mankind by positive self-initiated utilization of these objective laws. Dialectical materialism and epistemology together demand of man that he understand the world according to its original appearance and that he actively transform the world, which in the final analysis demands seeking truth from facts and in all pursuits to start out from the realities. This is precisely the core and cardinal point of Marxism-Leninism and of Mao Zedong Thought. Deng Xiaoping once pointed out: "The fundamental point in Mao Zedong Thought is seeking truth from facts; it means to integrate the universal truth of Marxism-Leninism with the concrete practice of the Chinese revolution." Comrade Deng Xiaoping had previously pointed out repeatedly that seeking truth from facts is the basis of the proletarian world outlook and the basis of Marxism. All victories that we have won in the past in our revolution have depended on seeking truth from facts. If we now try to achieve the four modernizations, we must equally depend on seeking truth from facts. Following the 3d Plenary Session of the 11th CPC Central Committee, we have improved and systematically restored the party's ideological line, "we have in all matters started out from the realities, have linked theory to practice, have sought truth from facts, and we have tested and developed truth in actual practice." Our

ideological line is also our political and organizational line, and only by firmly upholding this ideological line is it possible at different historical periods and for different situations to arrive at accurate decisions and appropriate appraisals, and to determine feasible and realistic political lines, principles, and policies suited to the times in question. The great concept of "one country, two systems" has been courageously put forward by having started out from the realities of present-day China and after thorough deliberations in a process of seeking truth from facts. What are the conditions of present-day China? Within the People's Republic of China, we have a socialist system practiced by 1 billion people on the mainland and a capitalist system practiced in Hong Kong and Taiwan. Comrade Mao Zedong once said: "Unification of the country, unity of the people, unity of all ethnic groups in the country is the guarantee for certain victory in our undertakings." How are we then to effectively solve this problem? According to China's present-day condition, Comrade Deng Xiaoping resolutely pointed out the best possible way, namely to practice "one country, two systems." This concept originated from an overall analysis of the realities of China and from an attempt to resolve the Hong Kong and Taiwan issues. There are two alternatives for the solution of the Hong Kong and Taiwan issues: One is peaceful, and the other is nonpeaceful, that is, solving the problem by military force. However, the latter method is after all not a good one, and it would be best to adopt the peaceful method. This demands of necessity to start out from the objectively existing realities and to uphold the ideological line of the party in a realistic way. In this manner, it will be possible to take Hong Kong's and Taiwan's historical and actual conditions fully into account and to respect the historical realities of Hong Kong and Taiwan.

Viewing the international environment, we see that the United States is the main obstruction to a solution of the Taiwan issue. However, since establishment of diplomatic relations between the United States and China, there has also been a certain change in the United States. Comrade Deng Xiaoping has therefore pointed out that among all the changes that we see in global strategy, those of primary importance are coming from the United States, and among the changes on the part of the United States, the most profound concerns the Taiwan issue, although the Taiwan issue is of course not the only problem. He said that the harm inflicted on the Chinese people by the "Taiwan Relations Act" of the United States must not be underestimated. Deng Xiaoping also said that the United States must leave the circle of its four "aircraft carriers," meaning South Korea, Taiwan, Israel, and South Africa, otherwise the United States cannot possibly gain the initiative in global strategic questions.<sup>1</sup>

Comrade Deng Xiaoping put forward the concept of "one country, two systems" in accordance with China's strategic objective in the initial stage of socialism. Comrade Deng Xiaoping once pointed out that China's

objective is to achieve a measure of comparative well-being by the end of this century, with an average national income of \$800 per person per year. This is our lofty aspiration and great ideal. But it is more important to lay a foundation for an even greater development of the national economy in the future. How can we then accomplish our strategic objective? Comrade Deng Xiaoping believes that it requires fulfilling a domestic and an international condition, as he pointed out: "There are still 16 years to the end of this century. We must work wholeheartedly at our construction, strive for a peaceful international environment, engage in international exchanges, and implement a policy of opening up to the outside world, in order to achieve the objective that we have set ourselves for the period until the end of this century. In the following 50 years, China will continue its policy of opening up to the outside world, will achieve even greater objectives, and come close to the level of the developed countries of the world. This is truly our lofty aspiration and great ideal."<sup>2</sup>

## 2. The Great Concept of "One Country, Two Systems" Is Also Built on the Foundation of Dialectical Materialism

Dialectical materialism holds that in all contradictions of the objective world, which differ in thousands of ways, each matter has its peculiarities, and both sides in their existence and development have different status and effects. One of the two sides of the contradiction is bound to be in the dominant position, to play the leading role, and to become the primary side of the contradiction. The other side is being dominated, cannot play a leading role, and becomes the secondary side of the contradiction. "The character of a matter is mainly determined by the primary side, which is in dominant position in the contradiction."<sup>3</sup> The great concept of "one country, two systems" has been put forward according to the basic fact that the character of a matter is determined by the primary side of the contradiction, the side which is in the dominant position. In producing the concept of "one country, two systems," full consideration was given to the primary side of the contradiction, which is, of course, the 1 billion population on the mainland in the People's Republic of China who practice the socialist system. Comrade Deng Xiaoping clearly pointed out that the concept of "one country, two systems" is not based on having within China's borders half the area under the socialist system and half under the capitalist system, nor on there being a small area under socialism and a large area under capitalism. On the contrary, it is the main body of China that is under socialism, and it is a fact that 1 billion people on the mainland are embracing the socialist system. With respect to political developments, it is the regime of a people's democratic dictatorship led by the working class and based on the alliance of workers and peasants. With respect to economic construction, it is practicing an economic system with a diversity of ownership forms with public ownership in dominant position, a system of diverse forms of distribution with distribution according to work performance in dominant position. With respect

to ideological and cultural development, it is a system of firmly upholding Marxism-Leninism and Mao Zedong Thought as guidance. All this guarantees that China will forever advance in the socialist direction. It is precisely under these preconditions that certain territories within the country, for instance, Hong Kong and Taiwan, must be allowed to practice the capitalist system. Comrade Deng Xiaoping also pointed out: "If China adopts the policy of opening up to the outside world and allows some elements of capitalism to enter, it is to supplement socialism and to benefit development of the socialist productive forces. If, for instance, foreign capital reaches Shanghai, it does not mean that all of Shanghai will adopt the capitalist system. Nor is it the case with Shenzhen, which is still under the socialist system. Shenzhen and Hong Kong are, therefore, different cases. It is not that Shenzhen will in the future be moved into Hong Kong, nor will Hong Kong be moved into Shenzhen. The main body of China is socialist."<sup>4</sup> For a further clarification of the fact that China's implementation of the "one country, two systems" policy will not entail any change in China's main body being socialist in character, Comrade Deng Xiaoping again emphatically pointed out: "China is a socialist country. While upholding the socialist road and developing a socialist economy, the introduction of foreign capital and joint ventures cannot possibly harm China's sovereignty, but will merely help develop the socialist economy. In another 30, 50, or 70 years, China's socialist economy will have developed further. At that time, the socialist economy of the main body will have developed greater strength and will even less fear attacks on the socialist economy of the main body."<sup>5</sup>

This shows that the PRC is a country that is socialist in character and that there can be no doubt as to the dominant function of the primary side in this contradiction. Of course, we must also recognize the influence of the secondary side of the contradiction as it affects the primary side of the contradiction, and recognize that this influence has a positive as well as a negative aspect. However, if it is only a matter of maintaining a long-term development strategy and of carrying out a correct policy, it can develop positive influences and reduce or check any negative influences. It is, therefore, best to implement a policy that is beneficial to the development of both sides of the contradiction. That is why Comrade Deng Xiaoping proclaimed with greatest clarity that with the "one country, two systems" concept we acknowledge that "several things in Hong Kong will not change, the social system will not change, the lifestyle will not change, it will retain its position as an international financial center, and its position as a free port. Correspondingly, the policy toward Taiwan will also entail some things that will remain unchanged. We mean what we say, we are not engaging in any tricks."<sup>6</sup> This policy decision will benefit the stability and prosperity of Hong Kong and Taiwan. It will also benefit promotion of the four socialist modernizations within China, and will no doubt have a positive effect on common prosperity and development.

We must, furthermore, understand that the great concept of "one country, two systems" vividly demonstrates the correct integration of the highly principled nature and great flexibility of the party's policy, as creatively applied to the concrete reality of China. Where, then, do we find the highly principled nature of the great concept of "one country, two systems" manifested? Comrade Deng Xiaoping has clearly pointed out that the core of the problem is unification of the motherland. This is the highest interest of all Chinese people, including those on Taiwan. Comrade Deng Xiaoping rejects the formulation of "complete self-government" of Taiwan. He said: self-government must have its limits, and since it has its limits it cannot be "complete." To propose "complete self-government" means proposing "two Chinas," which we absolutely oppose. There is only one China, it may have different systems, but only the PRC can represent China internationally. Where, then, do we find the flexibility of the "one country, two systems" policy manifested? Comrade Deng Xiaoping believes that it is in recognizing that the local government of Taiwan may, in its internal policies, arrange its own affairs. Taiwan, as a special administrative district, although a local government, is different from the other provincial and municipal governments and the autonomous regions in that it will have certain unique powers that other provinces, municipalities, and autonomous districts do not have, on the precondition that they must not harm the common state interests. The flexibility of the policy is also manifested in that after unification with the motherland, the Taiwan special administrative district may have its own independence, may maintain a different system from that on the mainland as well as judicial independence—final appeals will not go to Beijing. Taiwan may also have its own armed forces, which only must not constitute a threat to the mainland. The mainland will not station its personnel on Taiwan, neither armed forces nor administrative personnel. Taiwan's political parties, government, and armed forces will all be controlled by Taiwan itself. The central government will also allow Taiwan a certain number of representatives.<sup>7</sup>

### 3. The Great Concept of "One Country, Two Systems" Is Also Built on the Foundation of Marxist Historical Materialism

Historical materialism starts from the basic view that social existence determines social consciousness, and it acknowledges that the history of social development is first of all the history of the development of material goods production and is, therefore, the history of the producers of goods, the masses. The masses are the creators of history. Comrade Mao Zedong said: "Only people, and nothing but people, are the motive force that creates the history of the world."<sup>8</sup> World history is written by the people of the world; Chinese history is written by the Chinese people. China is a multi-ethnic country with a long history; it is a country with an ancient civilization. The Chinese nation is diligent and courageous, and its various nationalities have a glorious tradition of ardent love for the motherland and of

rallying together to advance courageously. However, in modern times, because of the aggression of capitalist imperialists and their plundering of China, and because they linked to feudal forces of China, the nationalities of China sank into poverty and backwardness, split off, and separated. The people greatly suffered the bitterness of their severance and from the difficulties of their separation, urgently demanding reunification and unity of the motherland.

Comrade Deng Xiaoping pointed out that it is the desire of the nation to have the motherland reunited. The separation has lasted 100 years, even if it takes a thousand years there must be reunification. In his speech at the Second Session of the Sixth Chinese People's Political Consultative Conference, Comrade Deng Xiaoping also pointed out: "That Taiwan revert to the motherland and that peaceful unification be effected is an important matter of common concern for people of all nationalities on both sides of the Taiwan Strait."<sup>9</sup> The concept of "one country, two systems" reflects the basic interests, desires, and demands of the entire Chinese people. Taiwan is a part of the sacred territory of the PRC. Accomplishing the great task of complete unification of the motherland is the sacred responsibility of all Chinese people, including those on Taiwan. In the last 40-odd years, the separation of our compatriots on Taiwan from the mainland is something that runs completely counter to our national interests and the people's desire. Ending this separation at an early date will be of greatest benefit, be it for prosperity and strength of Taiwan regionally and of the entire motherland, or for the maintenance of peace and development of the Far East and the world. This is the trend of things and the desire of the people, and every party, force, or individual must abandon former resentments, be guided in all action by the actual circumstances, and go along with this great trend.

The people on both sides of the Taiwan Strait ask for the "three links" [trade, transportation, postal services] to enhance mutual understanding and deepen friendly sentiments, and this has become a common demand of the people on both sides of the strait. Through the common efforts of compatriots on both sides of the strait, Taiwan authorities in October 1987 proclaimed provisions for conditional relaxation of its restrictions on trips to the mainland for family reunions. According to reports, since the Taiwan authorities allowed people to travel to the mainland for family reunions, several scores of Taiwanese compatriots have traveled to various places on the mainland to visit relatives, reestablish family relations, visit friends, and to sightsee as tourists. Among them there were workers, professors, employees, businessmen, industrialists, and farm owners. Following the conditional permission for fellow villagers or townsmen to visit relatives on the mainland, the KMT [Kuomintang] authorities on Taiwan again proclaimed relevant rules allowing party workers and cadres, as well as "government" officials, to travel to the mainland to visit relatives. Economic and trade contacts and scholarly and cultural exchanges are becoming increasingly frequent.

For instance, in August last year, Taiwan economic and trade departments officially announced that 50 mainland agricultural and industrial raw materials may be indirectly imported to Taiwan and that these may, furthermore, be handled as "reimportation of Chinese goods," thus qualifying for preferential customs treatment. As another example, in October 1988, both sides of the strait held a large book exhibition in Shanghai, giving a magnificent display of Chinese culture and enhancing mutual understanding. Relevant circles have also reported that in October last year alone, more than 26,000 letters were sent from Taiwan to the mainland via Hong Kong, and that in March last year an average of about 2,000 letters per day were sent from the mainland to Taiwan via Hong Kong, and that this volume had increased to as much as 8,000 per day by October. There is now a common saying on Taiwan: "The 'three links' are linking, and the three 'nos' [no contacts, no negotiations, no compromises] are softening." Many well-known personalities and scholars on Taiwan are organizing discussions and symposiums to explore the problem of reunification with the motherland, urging reunification at an early date. The several tens of thousands of Taiwanese relatives living on the mainland are hoping fervently that they may return to Taiwan to see their relatives, and thus realize a desire of many years. The Taiwanese "ministry of the interior" finally officially allowed mainland compatriots, beginning on 11 October 1988, to apply for permission to come to Taiwan to attend funerals or visit sick relatives. That day, the "border control bureau" also began to accept applications. Even though many restrictions are attached to these regulations, it is some progress toward mutual exchanges between the people on the two sides of the strait.

The concept of "one country, two systems" reflects the country's desire for unification and that the nation wants to promote this common desire of all Chinese. History has proved—and it will be again confirmed in future practice—that this great concept is the best method to solve the problem of peaceful unification and to further this great Chinese undertaking. All Chinese, including those on Taiwan, must actively fulfill their sacred duty of unifying the motherland and must jointly strive to bring to realization as soon as possible this great concept on the large land of China.

#### Footnotes

1. RENMIN RIBAO, 23 Feb 84.
2. Ibid., 12 Oct 84.
3. *On Contradictions*.
4. RENMIN RIBAO, 16 Oct 84.
5. Ibid., 12 Oct 84.
6. Ibid., 16 Oct 84.
7. Ibid., 30 Jul 84.
8. *On Coalition Government*.
9. RENMIN RIBAO 13 May 84.